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THE UNIVERSITY OF ALBERTA

PROSPECTS FOR EUROPEAN UNITY

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES
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ABSTRACT

This thesis, being an attempt to determine the nature and likely outcome of present developments in the politico-economic life of Western Europe, starts by outlining the historical context and institutional form of the movement toward West European "Unity". It continues, after assessing the basic impulses behind French, West German, and British foreign policies, by pointing out that all three nations are in favour of "Unity", but that each implies something different by the term.

The thesis then goes on to say that France and West Germany, although they differ in their ultimate aims for Europe, are able to accept the European Economic Community as the cornerstone of their respective foreign policies.

The basic impulses behind Britain's attitude toward Europe are somewhat different from those of France or West Germany and her external extra-European connections are somewhat more binding. Hence it is unlikely that Britain will join the European Economic Community in its entirety. It is hoped that a compromise solution to this problem can be found, and the thesis points out that there are, in fact, some grounds for this hope.

Lastly, on the questions of Western Europe's organisation and place in the world, the thesis points out that a Confederal System is more

likely than a Federal Union in the near future, and that it is quite probable that schemes for a European "Third Force" in world politics will be achieved.

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EXPLANATION OF SYMBOLS

A. The Inner Group

The Inner Six	France, West Germany, Italy, Belgium, Luxemburg and The Netherlands.
The Six	The same.
EEC	The European Economic Community, established by the Inner Six.
The Common Market	The same. Strictly speaking the term "common market" refers to only part of EEC's functions. However, EEC is popularly referred to as the Common Market, and is occasionally so called in the text.
The EEC Treaty	The Treaty establishing EEC.
The Rome Treaty	The same.
The Treaty of Rome	The same.
ECSC	The European Coal and Steel Community, established by the Inner Six.
Euratom	The European Atomic Energy Community, established by The Inner Six.

EDC	The European Defence Community -- Rejected.
<u>B. The Outer Group</u>	
The Outer Seven	The United Kingdom, Norway, Sweden, Denmark, Austria, Switzerland, Portugal.
The Seven	The same.
EFTA	The European Free Trade Associa- tion, established by The Outer Seven.
<u>C. Projects for Amalgamating The Inner and Outer Groups</u>	
FTA	The Free Trade Area. A scheme proposed by the British government to set up a zone of free trade to in- clude all Western Europe. Rejected. Note that a clear distinction is drawn in the text between the abortive Free Trade Area (FTA), and the European Free Trade Association (EFTA).
European Customs Union	Projects under discussion which aim to include both the Inner Six and the Outer Seven within a single "Euro- pean" tariff structure.
<u>D. Atlantic Groupings</u>	
NATO	The North Atlantic Treaty Organisa- tion.
The Atlantic Alliance	The same.
OEEC	The organisation for European Eco- nomic Co-operation. Now defunct.
OECD	The Organisation for Economic Co-operation and Development.

E. French Political Parties

UNR	Union pour la Nouvelle Republique. The "Gaullist" party. A direct descendant of the Social Republican Party and the RPF.
RPF	Ralliement du Peuple Francais. The Rally of the French People. Led by General de Gaulle but disowned by him after its failure to gain power under the Fourth Republic.
Radicals	A "moderate" group.
MRP	Mouvement Republicaine Populaire. The "moderate" Catholic Party.
SFIO	The Socialist Party.
Independents and Peasants	Generally known collectively as the Conservatives. A loose collection of "moderate right wing" deputies.
The Communists	The orthodox Communist party.

F. West German Political Parties

CDU	The Christian Democratic Union. The "right of centre" party led by Dr. Adenauer.
SPD	The Social Democrats.

CHAPTER I

INTRODUCTION

This thesis constitutes an attempt to unravel the present mysterious developments in the political and economic life of Western Europe.

Between the years 1933 and 1945 the Third Reich of Germany made a determined attempt to establish its control, first over Europe, and then over the whole world. By 1945 this attempt had brought into alliance against the Reich not only France, the governments of the British Commonwealth and Empire, and a considerable number of other European countries, but also the United States and the Soviet Union. In short, by the end of the war, there was opposed to Germany such a mass of strength that the Reich was utterly destroyed and the country divided into four zones of occupation, an area of administration accorded to Poland, a Saarland economically attached to France, and a capital jointly administered by the four zonal powers. The Europe over which Germany had briefly exercised control, now in a state of economic collapse, was dominated by the armed power of the Soviet Union in the East of the Continent, and of the Anglo-Americans and their allies in the West.

The initial tasks of the new conquerors were to maintain military control as against a resurgence of Germany, and to restore the political, social and economic life of the continent. The United Nations Security Council was clearly designed as the vehicle for a continuance of the war-time alliance,¹ and the United Nations Relief and Rehabilitation Administration (UNRRA), the European Central Inland Transport Organisation (ECITO), the European Coal Organisation (ECO), and the Economic Commission for Europe (ECE) were all designed to re-establish the economies of the European countries over as large an area of the Continent as practicable.² In addition to these organisational devices the Charter of the United Nations contained special clauses against the Axis powers,³ and in 1947 the Treaty of Dunkirk was set up between Britain and France, providing for mutual assistance and co-operation, Germany being specified as a possible aggressor.⁴

By 1957, however, the Soviet - Western alliance was beginning to break up. The Soviet Union failed to honor war-time agreements about

¹L. M. Goodrich and E. Hambro, The Charter of the United Nations (Boston : World Peace Foundation, 1949). See also, H. Feis, Churchill Roosevelt and Stalin (Princeton : Princeton University Press, 1957).

²See, for instance, George Woodbridge, UNRRA (New York : Columbia University Press, 1950).

³The United Nations Charter, Art. 107.

⁴H. Seton-Watson, Neither War nor Peace (London : Methuen and Co., 1960), p. 42.

Eastern Europe and the West, likewise, took no notice of Soviet concern for war-time agreements over Western Europe.⁵ Two mutually incompatible systems were operating in the Continent and thereby forcing the alliance apart. This became diplomatically visible with the breakdown of the Moscow Conference of Foreign Ministers⁶ and the announcement of the Truman Doctrine.⁷ This became even more apparent when the Soviet Union and its satellites refused to take part in the economic recovery programme instituted by the United States government after the June 5th speech by General Marshall at Harvard.⁸ The split between East and West in Europe now rapidly developed an institutional form. In April 1948 the Organisation for European Economic Co-operation (OEEC) came into being as the organisational expression of the Marshall Plan. The Anglo-French Treaty of Alliance and Mutual Assistance (Dunkirk 1947) was extended to include the Benelux countries and renamed the Brussels Treaty (March 1948). By April 1949 matters had developed to such a state that the United States and Canada concluded a permanent alliance with Western Europe by means of the Atlantic Treaty, thereby establishing the North Atlantic Treaty Organisation (NATO).

⁵ Feis, passim. Note in particular the Churchill-Stalin agreement on spheres of influence in South-East Europe, pp. 448-453.

⁶ Royal Institute of International Affairs, Survey of International Affairs for 1947 (London: Oxford University Press, 1952).

⁷ Ibid.

⁸ Robert Payne, General Marshall (London: Heinemann, 1952), pp. 296-302.

Since 1949, with the return of normalcy to the war-shattered West European countries, there has been a proliferation of organisations and attempts to construct organisations in Western Europe.

In May 1949 the first attempt at a general political institution was undertaken with the signature of the Statute of the Council of Europe. This had the advantage of including not only the European NATO allies of the United States, but also Sweden, and the Irish Republic. The nature of this association was perhaps best illustrated by the designation of its deliberative body as the Consultative Assembly.

In April 1951, France, West Germany, Italy and the Benelux states established the European Coal and Steel Community (ECSC) whose function it was to provide a common market in coal and steel products, and the aim of which was to provide a first step towards the formation of a European economic community.⁹

In May 1952 the treaty establishing the European Defence Community was signed.¹⁰ This treaty aimed to establish an integrated army to include troops from France, Italy, Holland, Belgium, Luxembourg and a new remilitarised West Germany. It failed, however, to

⁹Political and Economic Planning, European Organisations (London : Allen and Unwin, 1959), chap. 7.

¹⁰Edgar S. Furniss, France, Troubled Ally (New York : Harper, 1960), chap. 3.

secure the necessary ratification by the French assembly.

The failure of this proposed organization led to the remilitarisation of West Germany under the terms of the Paris Agreements, which extended the Brussels Treaty Organisation membership to include West Germany, and created the Western European Union as a political adjunct to the military arm. Germany was likewise admitted to NATO.

In March 1957 "The Six," who had formed ECSC, signed the Rome Treaty providing for a European Economic Community.¹¹ This was ratified by all countries concerned during 1957 and came into force on January 1st, 1958. An European Atomic Energy Community (Euratom) was likewise formed by these same powers.¹²

The attempts of the British government to establish a general West European Free Trade Area to include the EEC members and most other West European countries came to nothing.¹³ In consequence of this the U.K., along with Denmark, Norway, Sweden, Austria, Switzerland, and Portugal, formed the European Free Trade Association.¹⁴

¹¹ Political and Economic Planning, European Organisations, chap. 8.

¹² Ibid., chap. 9.

¹³ British Information Services, Freer Trade in Europe, Publication 1D1 310, Sept., 1958.

¹⁴ EFTA Bulletin, Vol. I, No. 1, Oct., 1960.

What, then, is the importance of the proliferation of these organisations in Western Europe? To what are they likely to lead? In the first place it is obvious enough that they are connected with the political, economic, and social renascence that has taken place in Western Europe since 1945. They are also, an equally obvious truth, connected with the development of West European "Unity". This is all very nice, but it is also all very vague. What one must try to do, therefore, is to look behind these insitutions to see why they were set up, why they are still tolerated, and what prospects there are for the extension of the impulses behind these various attitudes to new levels.

One ought, after making an enquiry into these underlying basic factors, to be able to make some judgement about the possibility of a continuation of EEC based on a Franco-German ^Aentente, the possibility of its developing into a Federation, the possibility of it becoming a new major world power, and the possibility of British participation. One ought, in fact, to be able to determine what political and institutional form Western Europe is likely to assume in the next few years.

The way in which these aims will be pursued will be to enquire into the backgrounds and natures of the foreign policies of the present French, West German, and British governments; to examine the ways in which these policies and the pressures upon them interrelate with regard to the vital question of membership in EEC or some slightly

diluted form thereof; and finally to consider the prospects for long-term developments with regard to the internal development of the European institution and with regard to the prospects for its place in the world.

CHAPTER II

THE FOREIGN POLICIES OF THREE WEST EUROPEAN POWERS

PART I. THE FOREIGN POLICY OF CHARLES DE GAULLE

Perhaps the most significant passage in all of De Gaulle's writings is to be found in Salvation, the third volume of his War Memoires.

Setting out the basis of his whole approach to the problem of France, her place in the world and her destiny, he says that

perhaps France is now confronting one of those moments in history when a people is offered a destiny great in proportion to the gravity of its ordeal. But we cannot uphold our rights nor accomplish our duties if we forget power itself. Despite our losses and our woes, despite human weariness, we must reinstate the power of France. This henceforth is our great cause.¹

In order to reinstate France's power the nation must reconstruct both internally and externally. By "arduous work and severe national discipline"² France must become once again one of the "strongest and

¹ General de Gaulle, War Memoires, Vol. 3 : Salvation; trans. Richard Howard (London : Weidenfeld and Nicolson, 1960), p. 61.

² Ibid., p. 130.

richest in the world."³ Thus, increases in production would not only enable France to compete with other powers in economic and military affairs but would also renovate French society to produce a vigorous and powerful country.⁴ Such a policy is of course almost axiomatic for any national leader: it is when one turns to De Gaulle's ideas for the external relations of this reconstructed state that the more spectacular aspects of his policy become evident.

When De Gaulle said that "we are 106 million people, united under the French flag, in immediate proximity to what concerns us most,"⁵ - then to what was he referring? Upon this point he is quite specific when he says:

I intended to guarantee France primacy in Western Europe, by preventing the rise of a new Reich that might again threaten its safety; to co-operate with East and West and if need be contract the necessary alliances on one side or another without ever accepting any kind of dependency; to transform the French Union into a free association to avoid the as yet unspecified dangers of upheaval; to persuade the states along the Rhine, the Alps and the Pyrenees to form a political, economic and strategic bloc; to establish this organisation as one of the three world powers and, should it become necessary, as arbiter between the Soviet and Anglo-American camps.⁶

This is a simple, straightforward, logical policy of a kind likely to make Louis XIV leap for joy. But Louis had stumbled over England

³Ibid., p. 231.

⁴Ibid., p. 233.

⁵Ibid., p. 89.

⁶Ibid., p. 178.

and De Gaulle's contemporaries over the problem of Germany. Before De Gaulle's own policies could be realised these two states would have to be dealt with one way or another. Hence, to Churchill he says:

The equilibrium of Europe, the guarantee of peace along the Rhine, the independence of the Vistula, the Danube and the Balkan states, the creation of some form of association with the peoples all over the world to whom we have opened the doors of Western civilization, an organisation of nations which will be something more than an avenue of disputes between America and Russia, -- surely these are our great interests in tomorrow's world. Let us come to an agreement to uphold these interests together.⁷

If Britain, however, will not accept such an arrangement, with its implications of possible policy differences with the U.S.A., then she must be just as clearly excluded from Europe and hived off into the Atlantic as one of the "Anglo-Saxon" powers.⁸

As far as Germany was concerned De Gaulle thought in 1945 that the Reich should be broken up and a true confederation of the German Rhine states established, closely linked economically to its Western neighbours.⁹

⁷ Ibid.

⁸ This curious term seems to have almost racial overtones, as opposed to the far more descriptive "Anglo-American". It would seem to be impossible for France, as a "Gallic" country to join this blood relationship. Thus, when De Gaulle designates Britain as one of the Anglo-Saxons he is clearly excluding that country from close participation and association in European affairs. Therefore Britain has the choice of being either "European" or "Anglo-Saxon".

⁹ De Gaulle, pp. 50 and 51.

Apart from Britain and Germany, the U.S.A. and the Soviet Union obviously had to be taken into account. About the Soviets, De Gaulle is quite explicit:

Europe can find equilibrium and peace only by an association among Slavs, Germans, Gauls and Latins.¹⁰ This equilibrium has been shattered . . . because the states of Central Europe and the Balkans are forced to serve as satellites of the Soviet Union. If those states have a national dread of seeing an ambitious Germany reappear, in common with their "protector", the bonds which link them to Soviet policy will be all the stronger. If they realise, on the contrary, that the German menace no longer exists, their national interest will not fail to develop within the Soviet camp. Whence, between them and their suzerain, the inevitable discords which will turn the Kremlin from belligerent enterprises, particularly since Russia herself will be less inclined to such adventures.¹¹

Concerning the U.S.A., De Gaulle clearly believes that because of their different situations French and American policies must be to some extent differently orientated, and hence, if French security is to be provided for, some independence of judgement on the part of France is necessary.¹² This independence of judgement is to come about, of course, as the result of the re-establishment of France's position in Western Europe;¹³ but at the same time it does not preclude the

¹⁰ Ibid., p. 51.

¹¹ Ibid., p. 209.

¹² See the report of his discussions on international relations with President Truman. Ibid., pp. 206-209.

¹³ See above, pp. 10 and 11.

association of France-in-Europe, with America, in an alliance of equality.¹⁴

At this point it is necessary to turn from the consideration of De Gaulle's opinions as expressed simply in Salvation, to an examination of the relevance of these opinions to the present world situation.

As Edward Ashcroft remarks of De Gaulle's Memoires, what impresses one is that "the author has written his history as though he were looking at contemporary events with that objectivity with which it is necessary to write about the centuries in the distant past which have been as it were, digested by historians and philosophers."¹⁵ This is indeed very much to the point. The Memoires are by no means a simple process of recounting past events, but rather a matter of considering the deep and abiding problems of France, of Europe, of security, of life in general, in a particular historical setting. The problems of France today are identical with those of the France of 1945 to the extent that they have not been altered by changed circumstances. This fact, of course, becomes of extreme importance when considering De Gaulle's present foreign policy. One must first determine which conditions or

¹⁴"I intended to guarantee France primacy in Western Europe . . . ; to co-operate with East and West and to contract the necessary alliances on one side or on the other without ever accepting any kind of dependency." (De Gaulle, p. 178).

¹⁵The Sunday Times (London), May 15, 1960, Magazine Section pp. 15 and 16.

circumstances De Gaulle himself believes to have changed since 1945, and then one can adjust the aims, objectives and solutions offered by De Gaulle in his book, to fit these changed conditions. In this way it is possible to determine what his attitudes toward the present situation must be.

Certainly there have been many changes in the world since 1945, but of these only the re-emergence of a strong Germany¹⁶ and the transformation of the French Empire appear¹⁷ to have had any influence on De Gaulle's thinking about France's position. The emergence of a strong China,¹⁸ the advent of nuclear and missile strategy,¹⁹

¹⁶ "Thus, a Reich government was created after all, . . . The prospect of a true German Federation vanished in the hard light of fact." (De Gaulle, p. 215).

¹⁷ See above, p. 9. "To transform the French Union into a free association to avoid the as yet unspecified dangers of upheaval."

¹⁸ Admittedly the emergence of China did affect France's position in Indo-China but this part of the Empire was by no means central to De Gaulle's thinking on France's position. Also, China has become to some extent a European power since the Hungarian revolt in 1956, but its influence has been used to reinforce Stalinist tendencies throughout the Communist World, and consequently the advent of China is less a change in the environmental background to De Gaulle's thinking, than a factor making for the prevention of change.

¹⁹ That De Gaulle does not consider France's basic position to be radically altered by Western Europe's present reliance on the U.S. nuclear deterrent, is demonstrated by his removal of the French Mediterranean Fleet from NATO command, his removal of American air bases from French soil, and by his attempt to make France one of three NATO "Directors". / See Keesing's Contemporary Archives (1959-1960), p. 16961. See also De Gaulle's opinions on "The Need to Make France More Independent," New York Times, June 1, 1960, pp. 1 and 9 (hereinafter referred to as NYT). Also his enthusiasm on the testing of the first French Atom Bomb must be taken into account. For this

the increase of the Afro-Asian uncommitted powers and the development of voting-power politics in the U.N. do not seem to have changed the President's attitudes in any basic way.²⁰

Since there is no reason to suppose that De Gaulle has abandoned his objective of making France the dominant power in Western Europe, in fact just the reverse,²¹ then the problem is that of how to bring this about with a strong Germany on the Rhine and a dissolving Empire across the Mediterranean. The solutions to this problem are essentially straightforward: - to increase the population and production of Metropolitan France;²² to solve the Algerian problem and then to tie Algeria, and if possible Tunisia and Morocco, as closely as possible to

last point see "De Gaulle exults over Atom Blast," NYT, Feb. 1, 1960, p. 1.^{1/}

²⁰ De Gaulle's distaste and disapproval of the UN is clearly indicated by his advocacy of Western Great Power action in the Congo. See Le Monde (Paris), Sept. 7, 1960, p. 2.

²¹ The tenor of the whole of De Gaulle's present administration is evidence beyond dispute of his desire to revive French grandeur. See below, n. 22.

²² "De Gaulle urges Belt Tightening to Revive the Nation," NYT, Monday December 27, 1958, p. 1. See, for example, the mass of economic and administrative reforms which have been put into effect since De Gaulle's return to power, as outlined in Ambassade de France, Service de Presse et D'Information - The Balance Sheet of the De Gaulle Administration, June 3, 1958 - Feb 5, 1959, French Affairs, No. 84, May 1959.

France;²³ to maintain the important economic and cultural ties with those members of the French Community south of the Sahara;²⁴ to accept the reunification of Germany should it occur, but to make France-with-Algeria stronger than this Germany;²⁵ to establish for all time the

²³ Le Monde (Paris), Sept. 7, 1960, p. 2. That De Gaulle still hopes to strengthen French ties with Morocco and Tunisia to a considerable extent, although perhaps not as closely as with Algeria is indicated by the original constitution of the French Community (Art. 88) which permitted "associated states" to be aligned with the Community. This article was clearly aimed at those parts of the old Empire which had become independent.

²⁴ His treatment of Guinéé, which voted against participation in the French Community in 1958, is evidence that De Gaulle still sees considerable importance in France's ties with the Community.

²⁵ Joseph Alsop notes that Couve de Murville told Gromyko at Geneva, in the Spring of 1960, that France was not interested in altering the status of Berlin since the situation was perfectly satisfactory to her as it stood. (See Joseph Alsop, "The London Viewpoint," The Edmonton Journal, June 2, 1960, p. 4.). This could be taken to mean that France was perfectly happy to see Germany divided for ever more, a view which many commentators have subscribed to, in spite of De Gaulle's explicit contradiction of this opinion (See NYT, March 26, 1959, p. 8). The question is whether De Gaulle is sufficiently Machiavellian to attempt to divide Germany while paying lip-service to her reunification. In support of the view that he is not attempting to keep the German people divided against their wishes, one may point out that De Gaulle is concerned with the Balance of Power in Europe, that the Balance of Power is a thing of relative forces, and that there is no reason why France-with-Algeria should not be stronger than even a united Germany in, say, ten years' time. Moreover, the German situation at present is not entirely satisfactory, and France's interests would obviously be far better served by having a unified, free and friendly German state on the Rhine Frontier than the kind of Germany which might be expected to arise from the aftermath of some East German revolt. That is not to say that De Gaulle would particularly object to a divided Germany which satisfied German aspirations, and indeed this might be preferable, at least for some time to come, but that a reunified Germany could be fitted into De Gaulle's schemes for French primacy, seems possible.

Oder-Neisse line as the permanent boundary between Germany and Poland,²⁶ so that Germany will never re-establish her old eastward-looking Empire, and so that Poland and the other satellites may continue to keep Russia from belligerent enterprises.²⁷

Supposing that such a scheme of things is capable of realisation, then there is nothing to prevent De Gaulle from pursuing his aims of a Western European bloc under French leadership as a new world Super-Power. This bloc could still include Britain if the latter were prepared to commit herself to the bloc as her first interest and without expectations of preferential treatment vis-à-vis the U.S.A. Likewise, the bloc would still be able to ally with the U.S.A., in an alliance of equality and even within NATO, which De Gaulle clearly sees as essentially a military alliance rather than as a Community of like-minded states. Eventually, as Russia's Imperial contradictions become more and more of a burden to her, this central European bloc of states, together with its overseas associates, may be able to bring Russia, the U.S.A., and even possibly China into a state of general world détente.²⁸

²⁶ NYT, March 26, 1959, p. 8.

²⁷ See above, p. 6.

²⁸ "De Gaulle vows quest for Peace," and "Text of De Gaulle report on Summit meeting and French Aims," NYT, June 1, 1960, pp. 1 and 9.

PART II. THE FOREIGN POLICY OF
KONRAD ADENAUER

One cannot do better for an exposition of Adenauer's basic attitudes towards world problems than to turn to his book World Indivisible.²⁹

The essence of Adenauer's position is that since the 19th Century, as the result of two devastating wars, the world has arrived at a state of affairs from which it must be saved.³⁰ In Chapter III the Chancellor points out that Christian civilization is endangered, in Chapter IV that the Cold War and weapons of mass destruction have replaced a true state of peace, and in Chapter V that German Democracy is once again in danger.

The question is: How is Germany to act in order to conserve the values which remain to her and to contribute toward the regaining of those values which have been lost to the world? This question, moreover, is put quite simply by Adenauer himself when he says that

there are three courses which Germany can take, I do not say that there are three decisions to be made, but that, considered theoretically, there are three courses. One is that we join Soviet Russia. The second is that we join the West. And the third course is that we join neither, but stand on our pride and depend upon our

²⁹ Konrad Adenauer, World Indivisible (New York : Harper and Brothers, 1955).

³⁰ Ibid., chap. I.

own resources. The choices are perfectly clear, and we face them open-eyed. We want the integration of Europe and we want to be allied with the West. For us there can be no doubts or scruples about that.³¹ Only a dam erected in common by the free nations of Europe, in association with the free nations of the world, can block the further advance of the Communist mass. The mission of Germany, the historic mission of Germany in this era which is so critical for Europe - indeed, for all humanity - is perfectly clear. Germany must help build this dam, must do everything in her power to see that the dam cannot be breached.³²

Nor does the Chancellor leave the nature of the dam's organisation a matter for speculation. "In the interest of world peace," he says, "it is absolutely necessary for a third power to arise. Only a federated Europe can be that third power."³³ Nationalism must be replaced by Community,³⁴ and a plethora of disputing entities by a new United States in Europe.³⁵

There is no intention, however, of alienating this new bloc in the least from its associates in the free world, in particular the U.S.A. Not only does Adenauer comment in Chapter VIII upon the invaluable service given by the U.S.A. to Free Europe, but also in Chapter XV he rejoices that Germany should be admitted into the North Atlantic Community. Likewise, in discussing a possible European army he says

³¹ Ibid., p. 54.

³² Ibid., pp. 49 and 50.

³³ Ibid., p. 51.

³⁴ Ibid., pp. 6-10.

³⁵ Ibid., p. 52. "A Europe constructed on true federative lines would to my mind constitute the surest guarantee of peace we can possibly create."

that "this European army . . . will be subordinated, so long as present tensions continue, to the organisation (military) of the Atlantic Pact.

This in turn is subordinate to the other organs of the Atlantic Pact."³⁶

One may, therefore, summarise Adenauer's position by saying that he wishes to conserve in Germany and in the world at large, as far as possible, certain values; that only by an alliance with the West can Germany find the security and moral climate in which such values may be perpetuated; that the best possible thing as far as both these values and Germany itself are concerned would be the construction of a federated Europe, closely allied with the United States of America and other free nations.

One may object, of course, that this is all so much nonsense, in fact nothing more than a smoke-screen of German propaganda designed to blind the unwary whilst a new German national state emerges to threaten the world. Mr. Gomulka for his part thinks this to be the case.³⁷ Yet at the moment there seems to be no real justification for such an attitude. Germany since the war has been loth to rearm, has still not provided the twelve NATO divisions to which she is committed,³⁸ was prepared to

³⁶ Ibid., p. 61.

³⁷ V. Gomulka, "The Policy of the Polish Peoples Republic," Foreign Affairs, XXXVIII, No. 3 (April, 1960), 402.

³⁸ The Federal German Republic had 7 Divisions at the disposal of NATO by January 1960. She is committed to producing 12 by the end of 1961. See "The Military Strength of the USSR and NATO Powers," The Political Quarterly, XXXI (Jan - March, 1960), 82.

enter a European Defence Community in which German troops would have been distributed in small groups amongst those of other nations,³⁹ and has consistently been ready to enter any arrangement leading toward the construction of a Federal Europe even though this meant the subordination of parts of the national sovereignty to an organisation dominated by states previously as hostile to Germany as were the Poles.⁴⁰ Admittedly all the talk of freedom and Christian values may at times sound trite, and perhaps a trifle gauche to those nourished on a Realpolitik diet, but that is no reason to suppose that Adenauer himself does not act according to these beliefs.

Perhaps the strongest test of Adenauer's words lies in his willingness to contemplate a Federated Western Europe in which West Germany is associated with its old enemies Britain and France, whilst East Germany remains outside the organisation. "I believe it will be to the interest of the entire Continent, and of Great Britain," says the Chancellor, "if the relationships between Great Britain and the European community can be framed as closely and as tightly as possible."⁴¹

³⁹ In the EDC army each division was to be composed of small groups of men from each of the participating country, as opposed to simply a collection of national armies.

⁴⁰ See below, Appendix A.

⁴¹ Adenauer, p. 88.

PART III. BRITISH FOREIGN POLICY AND THE QUESTION OF EUROPEAN UNITY

The essence of Britain's position in the post-war period was perhaps best summed up by Sir Oliver Franks in his B.B.C. Reith Lectures.⁴² In these he gave as his opinion that Britain's position depended on three converging circles of influence, by her alliance with the U.S.A., by her position in Europe and by her leadership of the Commonwealth.⁴³ What Sir Oliver meant by the three converging circles was that Britain could use her influence in the Commonwealth and in Europe to strengthen her position vis-à-vis the U.S.A., with the U.S.A. and the Commonwealth vis-à-vis Europe, and so on. The essential basis of this position, Sir Oliver continued, was a Britain that was strong and vigorous so that she could provide initiative in Europe, leadership in the Commonwealth, and vigorous counsel for the U.S.A.⁴⁴

The validity of this analysis, applied to the situation up to five years ago, is hardly open to question. One has only to bear in mind

⁴² Later published as Britain and the Tide of World Affairs (London : Oxford University Press, 1955).

⁴³ He discusses each of these relationships in Chaps. III, IV and II respectively of Britain and the Tide of World Affairs.

⁴⁴ Britain and the Tide of World Affairs, Chaps. V and VI.

Churchill's words to De Gaulle about his relationship with Roosevelt,⁴⁵ and his discussions of Britain's position in the foreign policy debates in the House of Commons during his Premiership after 1951;⁴⁶ one has only to examine the direction of British foreign trade with its three great markets and supply areas in Europe, the Commonwealth and the U.S.A.;⁴⁷ and one has only to examine British military arrangements and troop displacements in the post-war period,⁴⁸ to see that there is indeed a large measure of truth in this supposition.

However, supposing one of the three converging circles is removed, what then? What if there were to develop in Western Europe a power bloc, which, being almost as strong as either the Soviet Union or

⁴⁵ De Gaulle, pp. 56 and 57. "The Americans have immense resources. They do not always use them to the best advantage. I am trying to enlighten them, without forgetting, of course, to benefit my country. I have formed a close personal tie with Roosevelt." (Churchill)

⁴⁶ Great Britain, Parliamentary Debates, CXV (1952-3), 883-898. In this speech, lasting several pages, Churchill reviews British foreign policy, dealing in turn with each area of interest. His attention is focused, in particular, on Britain's relations with the United States, with France and Germany, and with Imperial connections (i.e. Commonwealth relationships and strategic displacements).

⁴⁷ See below, Appendix B.

⁴⁸ See, for instance, E. J. Kingston-McCloughry, Global Strategy (London : Jonathan Cape, 1957). An examination of this book makes it clear that Britain's strategic concerns in the post-war era are with Western Europe, with the protection of Commonwealth and British interests by the maintenance of a power position in the Middle East and the Far East, and with the upholding of the American alliance.

the U.S.A. could afford to associate with either of them as it chose, a power bloc to which British strength had become irrelevant? The answer is simply that the whole of Britain's position would collapse.⁴⁹ A Britain which was not influential and important in European affairs could neither provide political and economic leadership in an ever more tenuous Commonwealth relationship,⁵⁰ nor yet expect to receive from the U.S.A. attention more significant than that accorded to an important aircraft carrier.

The immediate reply to such an opinion is that it is ridiculous because such a power never will develop in Western Europe. Maybe this assumption in itself is correct, but the point is that it is such a power that British Ministers almost instinctively fear. Mr. Macmillan, mindful of the seeming impossibility of associating Britain with the Common Market group and of De Gaulle's 1945 Franco-Russian alliance perhaps,

⁴⁹If Britain were totally excluded from Europe she would become of relatively little interest to Washington. Because of this, and because of the initial weakening in Europe, Britain's position in the Commonwealth, which now relies so heavily on Washington for its defence, would also diminish. To some extent this might be mitigated by retaining the leadership of The Outer Seven Group or something of the kind, but even in this situation, such a group being unable to contribute anything of great importance to the defence of the core area of Western Europe, i.e., the Rhine and Northern France, the influence of Britain in Washington would still decline, and hence again its influence in the Commonwealth.

⁵⁰This is hardly disputable. The Commonwealth no longer relies primarily on Britain for its defence, e.g., the Anzus Pact, and Indian neutralism. Even in trade there seems to be a gradual weakening of the importance of Imperial Preference. On this last point see the Economist Intelligence Unit's, The Commonwealth and Europe (London : Economist Intelligence Unit, 1960).

said in the U.S.A. that Britain was as prepared to save Europe from domination by a single power as she had been at the time of Napoleon.⁵¹ A new alliance of Emperor and Czar might well see the end of Britain as an important power.

This then is the essence of Britain's problem with regard to the emergence of "The Six" as a power bloc - Britain must either "torpedo" the whole thing or else come to terms with it. In spite of the opinions expressed by a considerable number of Continental observers, there is little evidence that Britain would wish to "torpedo" the Common Market rather than come to terms with it. There are, however, terms and terms -- some are better than others. The record of the negotiations on a Free Trade Area and then, after this collapsed, on the possibilities of association, clearly indicates that Britain has been bargained down. If the original Free Trade Area scheme had been set up as Macmillan proposed, with differential rates on external tariffs and exclusion of agricultural produce, then Britain could have joined such an organisation and maintained intact her positions *vis-a-vis* the Commonwealth countries and the U.S.A., whilst still remaining an important influence in Europe, since neither her economic position nor, since the

⁵¹ "Mr. Macmillan's map of Europe," The Economist, April 9, 1960, p. 130.

Macmillan scheme required no organisational institution,⁵² her sovereignty, would be in any way diminished or altered. In other words Franks' three converging circles of influence could have been preserved in spite of slight changes in European affairs. Such was not to be the case, however. The Free Trade Area negotiations ended in deadlock and Britain set up the European Free Trade Association as a defence measure. The fact that the idea for such an association might have originated in Sweden is neither here nor there. This Association was from the first, in British eyes, clearly a bargaining counter aimed at gaining entry into the European Coal and Steel Community on favorable terms. Hence all the lowering of internal tariffs at an equal rate and at the same time as the Common Market group.⁵³ This again has achieved nothing. So, Britain's position being weakened yet further, Her Majesty's Government proposed that Britain should join the European Coal and Steel Community.⁵⁴ This was refused. Britain is still left with the problem of finding some

⁵²Mr. Macmillan's proposals envisaged simply an area within which free trade was to be carried on. At the core of this area would be the Common Market, with its quasi-federal institutions, but this would in no way have applied to the other members of the Free Trade Area, who would have been free to pursue their own commercial policies.

⁵³The members of EFTA agreed to lower tariffs between themselves, at the same time and at the same rate and on the same articles, as in EEC, so that future attempts to associate with the two groups should not be prejudiced by differing tariffs within the respective areas. This presumably would be of importance only in the 15-year period allotted by the Rome Treaty for tariff reductions.

⁵⁴"Living with Europe," The Economist, May 28, 1960.

means of joining "The Six."

This leads one to the question of why Britain does not go ahead and join the Common Market. British Ministers claim that the reason for this lies in the difficulties Commonwealth exporters to Britain would face if Britain were to agree to accept such a position with its regulation of external tariffs by the Central authority of the EEC. There is no doubt that this would pose something of a problem - but is it really the most important factor in British thinking? One might suppose, justifiably perhaps, that it is not, and that what Britain really fears is the commitment of parts of her sovereignty to an authority she cannot by herself control, and which authority, should it become sufficiently powerful vis-a-vis the member states, might permit Britain no significant individual contacts with outside powers except through the authority itself. Hence for Britain to join a European group which was clearly in the process of "Federalising" would be just as bad as to be left out altogether. It would be just as bad to be a European province as to be an American aircraft carrier, if not worse: it would be far better on the other hand to be part of a European confederation which yet permitted some degree of individuality and external contact: it would be better still to be able to foster and associate with some form of European "Unity" which permitted the maintaining of Franks' three circles of influence. Since the last possibility was excluded when the Continental group refused to co-operate in the establishment of a Free Trade Area, then Britain must try to secure the second. If that failed then she would have to choose between Europe and America.

CHAPTER III

POLICIES AND PRESSURES IN WESTERN EUROPE

The communique which De Gaulle and Adenauer issued after their meeting at Colombey-les-deux-églises, on 14th September 1948, accorded so well with Churchill's oft-expressed hopes for Western Europe that one might well have supposed that all was harmony there. This communique ran as follows:

We have had a long, free and friendly discussion on many subjects, and are both deeply conscious of the importance and significance of our meeting. We believe that the hostility of former days is finished once and for all and that Frenchmen and Germans are called upon to live in harmony and work side by side. We are convinced that close co-operation between the Federal German Republic and the French Republic is the basis of all constructive work in Europe. It contributes to the strengthening of the Atlantic Alliance and is indispensable to the world. We believe that this co-operation must be organised and that it must include the other nations of Western Europe with which our countries have close ties. We desire that this co-operation should be exercised to the advantage of all peoples in the field of the great problems of the world. We hope that it can be extended to the greatest possible number of European states.¹

A closer examination of the Western European scene soon brings one to the conclusion, however, that everyone was not in complete

¹Keesing's Contemporary Archives (1957-58), p. 16392.

agreement at the time of the Colombey meeting and neither are they today. Already at the time of the meeting the British were beginning to feel left out, and not long after a period of Anglo-German coolness set in which lasted until Macmillan's visit to Adenauer of August 10-11, 1960.² Likewise it is clear that Adenauer and De Gaulle do not see eye to eye on points such as the Oder-Neisse Frontier and the attitude to be taken toward the Soviet Union.

From the examination of the policy objectives of Adenauer, De Gaulle and the British Government carried out in Chapter II of this thesis, it seems clear that all are in favour of "European Unity" but that there is virtually no agreement as to what form this unity will take. On the issue of Federalism, for instance, Adenauer is in favour whilst De Gaulle and Macmillan are against, whereas on the question of developing in the long run a "Third Force" in Europe, De Gaulle seems to be largely in favour, providing that it is under French leadership with functions co-ordinated in Paris, whereas Macmillan and Adenauer are generally against and place considerable faith in the American alliance. These being the two most important issues, there is, therefore, no overall agreement amongst any two leaders on the important questions. Consequently there is a considerable leeway left for manoeuvering. This has become quite evident in the more recent negotiations on EEC. De Gaulle wishes to create a Foreign Policy Directorate in Paris for the Common Market

powers, using the Common Market as an adhesive force to bind together a West European bloc. Adenauer, who views the Common Market as a step in the "functional" approach to European integration, is not too keen on doing anything that might seem to endanger unity in NATO not to mention German prestige. Consequently he turns to the British for support over the question of Atlantic solidarity, for which support they ask Adenauer's backing on finding a compromise solution to the problem of associating themselves with the EEC.

What kind of a solution, then, can one expect to see emerge from this juxtaposition of forces? What kind of a Europe is likely to develop? For the answer to this question one must turn not only to the interrelationship of the policy objectives themselves, but also to the mass of pressures which influence government action.

In the first place one may inquire whether there is any support in Europe for a Federal Union. It is not necessary to ask whether there is support for such a scheme in Britain since it would be quite possible to form such a Union in the six countries of the EEC without British participation.

It has already been established that Adenauer favours such a scheme of things, and as far as Germany, Holland, Belgium, Italy and Luxemburg are concerned it is quite permissible to suppose that a Federal Union could be established. All these countries ratified that

most integrationist European project so far, the European Defence Community,³ and it is quite possible that they would do the same thing again on that or any other similar treaty.⁴ Whatever one may think about this, however, the fact remains that one cannot make Europe without France,⁵ and France was not only anti - EDC⁶ at the time but is now controlled by a man who is a decided anti-Federalist. Even if one ignores the existence of the Fifth Republic for awhile, and supposes that some new regime

³ The committing of a country's army to control by a supranational body is clearly a far more radical step than the pooling of economic controls.

⁴ It is, of course, difficult to determine whether or not Belgium, Germany, Holland, Italy, and Luxemburg, still remain as pro-Federal as they were at the time of the EDC vote, particularly in view of Belgium's current difficulties over Eysken's austerity measures, and Germany's 1961 General election. It would also be possible to contend that these five countries voted in favor of EDC only because they knew that France would reject it. Against this one may point out that Christian Democracy is by ideology oriented toward European Federation, and that the Christian Democratic parties remain in power in four of these countries. It is noticeable, moreover, that in the recent debate (Feb 10-11, 1961) between the members of "The Six," there was a certain reluctance on the part of some members. The Netherlands in particular, to set up a "Gaulist" Confederal superstructure rather than increase Federal integration (See "Breathing-Space for What?", The Economist, February 18, 1961, pp. 639-641). This still does not entirely prove the willingness of these members of "The Six" to indulge in Federal Union. However, since the argument here eventually concludes against Federalism (in the short run) it is as well to err in favour of it wherever there is room for doubt.

⁵ Geographically France is the only connecting link between Germany and Italy, since Austria and Switzerland are at present committed to neutrality. Also, France being militarily and economically of about equal potential with Germany, a Europe united without France would be unthinkable.

⁶ See below, Appendix C.

might take over which would once again permit French social divisions the free interplay they formerly enjoyed under the Fourth Republic, yet there is nothing to indicate that a pro-Federalist majority could be found.

Admittedly the pro-EDC vote contained elements which genuinely desired to make a further step forward in the construction of a European Union, but it also contained many who were antipathetic on European questions, but decidedly in favour of preventing the re-establishment of a national German army. This occurred even in the MRP (Catholics)⁷ and, of course, amongst these Socialists, Radicals, Independents and Peasants who voted in favor of the treaty. Jacques Fauvet notes that this opposition to EDC was sufficiently strong in the Socialist party organisation to cause more than half of the Socialist deputies to vote against it in the Assembly, and more than half of the "Federations" to do likewise, at the Party Congress of May 30.⁸ One may assume, therefore, that the Socialists are not essentially and basically a pro-Federalist group and could not necessarily be expected to vote in favour of federal projects in the future. As far as Radicals, Independents and Peasants are concerned, these are more associations of relatively similar, but

⁷ See Jacques Fauvet's comments on Bidault in "The Birth and Death of a Treaty," in France Defeats EDC (New York : Frederick A. Praeger, 1957), pp. 137 and 138.

⁸ Ibid., pp. 155 and 156.

independent, interests, than groups with well-defined attitudes. Consequently, Federation being rather a matter of self-protection than doctrine with their members, there is no reason to suppose that given a more conservative alternative, the majority of these members would deliberately favour French participation in a Federal Europe. Consequently, since Communists and Gaullists are always likely to be opposed to Federalism, the only party which can always be expected to vote in favour of a highly integrated Europe, is the MRP.⁹ One must conclude, therefore, that even if these old forces could revive from the powerlessness which the Fifth Republic has inflicted upon them, there is no indication that the pro-Federalist elements amongst them would ever be strong enough to press through an advanced programme for European Union.

A direct approach to the construction of Europe being therefore eliminated, the Federalists are left with the possibility of "creeping functionalism." It is the fervent hope of these gentlemen that what Haas terms "the expansive logic of sector integration" will build their Europe for them: in simplest terms, that as the European countries find it more efficient to place more and more sectors of the national sovereignty under common direction, a European Federal authority must in the end result.

⁹Even this is not necessarily so on the part of all their members but it is as well to err on this side.

Before one delves into the chances of functionalism, however, it will be as well to consider the effects of the elimination of the direct approach to Federalism, and the existence of the functional alternatives. Adenauer, who originally agreed with the British only on the necessity of maintaining a strong Atlantic Alliance, and with De Gaulle on nothing, now agrees with Britain on the Atlantic issue and with the French on the degree of integration necessary in Europe.

Thus it seems likely that Adenauer would be only too willing to see Britain join the EEC group in order that Atlantic tendencies within that group should be strengthened, but that he would not wish to see the Common Market organisation weakened to any significant extent, for otherwise hopes of a functional approach to Federalism would have to be abandoned. The logical immediate outcome of this would be a fairly strong Confederation in Europe welded together by the Common Market politico-economic organisation, and firmly attached to the American Alliance.

For this state of affairs to come about, however, it means that De Gaulle would have to forego his "Third Force" ideas, and Britain would have to accept more rigorous conditions for membership in the European club than she had previously hoped for. Is this possible? As far as De Gaulle is concerned there is some indication that it might be possible. There has never been any indication of intention on his part

since returning to power in 1958 to disrupt the Western alliance in the immediate future. Obviously any "Third Force" which did come into being must first develop and find its force under the protective cover of the Atlantic Alliance.

Thus De Gaulle could quite easily commit France to a European bloc, most of whose members were pro-Atlantic, in the "expectation" that eventually, after the bloc tightened its own organisation, it would be able to exercise an independent influence on world affairs. In any case De Gaulle is a realist--his plans for a Third Force depend upon better relations with the Soviet Union and of this there is no sign at the moment. Thus there is no obstacle by way of orientation of the new group, and in fact, given the circumstances of today, De Gaulle's ideas about this accord very closely with those expressed by Adenauer on this subject in World Indivisible.¹⁰

The possibility of associating the British with such a European group is rather more difficult to determine. Here again one runs into the question of "expectation". If the British felt reasonably sure that Europe would not "Federalise", and that it would not try to become an independent Third Force at least until a general world entente had been established, and if also some way were found of associating Commonwealth countries with the EEC, then there would be nothing to prevent

¹⁰See above, chap. II.

them from joining. What the British clearly want to get out of the present situation is a Confederate Europe firmly linked to the U.S.A., and which not only is firmly attached to the Commonwealth, but permits Britain to maintain its leadership of the Commonwealth. If one bears in mind De Gaulle's opinions upon the formation of a joint Commonwealth-French Union Association of nations¹¹ and Adenauer's "Atlantic" tendencies, there is some reason to suppose that this will yet come about. On the other hand the importance of the Common Market as the focal point for all hopes of "Unity" in Europe, whether these be Gaullist or Federalist, cannot be too greatly stressed. Thus Couve de Murville stated in the Foreign Affairs debate in the National Assembly on June 14, 1960, that "the basis of our policy is for the moment the Common Market, which is developing and growing stronger."¹² Likewise De Gaulle himself, in a broadcast of May 31 pointed out the importance of the Common Market in the construction of the Western European grouping.¹³ That Adenauer, too, looks upon the Common Market as the essential basis for this policy is shown above. Only if the Common Market were demonstrably proved to endanger the Atlantic Alliance would Adenauer be likely to question its fundamental importance. Since the Americans have always looked with a kindly eye on federalist or seemingly-federalist projects in Europe, there is not much danger of this. The difficulty, then, lies

¹¹Ibid.

¹²"French Policy Towards an Organised Europe," The Times (London), June 17, 1960, p. 10.

¹³Ibid.

in the nature of this Common Market. On this question M. Debré had the following important point to make in his speech to the National Assembly of June 15:

We consider that one of the characteristics of the Common Market is the existence of an external tariff. Whatever our desire to enter into agreements with other countries, notably Great Britain, and, if possible, to find firm grounds for agreement in order to avoid an economic division in Europe, the existence of a common external tariff is one of the conditions of our support for this economic policy.¹⁴

Thus, even though "failing membership of the Common Market itself, practical solutions must be sought with a view to avoiding the disruption of trade and in order to maintain traditional patterns,"¹⁵ yet such accommodation must take place within the embrace of the single external tariff. The possibility that Britain must face, even if some agreement with the Common Market powers can be worked out within this context, is that as a penalty for the right to operate its own economic policy within the limitations established by the existence of the single external European tariff, it must play the role of the small partner in a large continental European group. Since, in the long run, there is no reason why Denmark, Norway, Yugoslavia, Greece, Turkey, Spain, Portugal, Morocco, Tunisia, and even possibly Sweden, Switzerland and Austria should not become part of this group, then Britain is likely to become increasingly small relative to her continental partner.

Thus this possible development would be an unwelcome one from the

¹⁴Ibid.

¹⁵Ibid., Couve de Murville.

British point of view is certain, but it is likely that, provided some arrangements were made permitting economic and political contact with the Commonwealth, this would prove more acceptable than staying out of Europe altogether. It seems reasonable to suppose, therefore, that a Confederation, at least, will emerge in Western Europe based either on the Common Market itself or on the single external tariff which is that Organisation's most salient feature.

The question which now arises is as to whether there are sufficient favourable forces and pressures in these and other West European countries to enable this Confederation of States to come into being; and if it does, will this Confederation turn into a Federation or remain as it is, and will it develop into a new world Great Power acting as a Third Force or will it remain firmly attached to the Western Alliance? In other words, if the organisation does come into being which of the "expectations" that are likely to be of such importance in its foundation, are likely to reach fruition?

That there are, at the moment, sufficient forces favourable to the creation of a Confederation of Nations in both Germany and France, is beyond dispute.

At the present moment the most important pressures upon De Gaulle lie not in Metropolitan France, but in Algeria. If De Gaulle is able to solve the Algerian conflict then no pressure group in France will be strong enough to prevent the implementation of his European policy. Not only is De Gaulle's position as President overwhelmingly powerful but, in addition, the majority of French pressure groups is in

favour of some degree of European unity.¹⁶ The validity of this assumption becomes clear when one examines the votes taken on the issues of the Coal and Steel Community and Euratom, in the Assembly of the Fourth Republic.¹⁷ Only amongst the Communists and Gaullists were the members overwhelmingly opposed to either issue. The Communists can be expected to remain so, but what of the Gaullists? The explanation of their position is that in 1951 they were essentially a right wing party which, as the RPF, had tried under De Gaulle's leadership to overthrow the Fourth Republic by parliamentary means. This having proved impossible De Gaulle spurned his own fledgling and retired once again from the scene. The members left in the Assembly came more and more to emphasise the nationalist aspects of De Gaulle's policies at the expense of his policies of social renewal. Consequently in 1951 the movement voted against ECSC. By 1956, however, France had passed through another election which returned predominantly left-wing candidates. Thus the Gaullists were returned as Social Republicans, emphasising as much the social as the nationalist aspects of Gaullism. Voters who wished to vote against the system transferred their votes from the Gaullists to the Communists or the Poujadists. In 1958 the electorate returned the Gaullist UNR with a landslide victory¹⁸ and the question, "what kind of Gaullism?" once again became of importance. That the left wing brand has

¹⁶See, in particular, the Constitution of the 5th Republic, Art. 16, and also Nicholas Wahl, The 5th Republic (New York : Random House, 1959), and in particular, pp. 33-35.

¹⁷See below, Appendix D.

¹⁸See below, Appendix E.

by now predominated was demonstrated not only by De Gaulle's policies on Algerian and internal affairs, but also by the recent expulsion of Jacques Soustelle from the very party he had done so much to found.¹⁹

In addition to the support of these sections of French opinion which found their most obvious means of expression in the Assembly of the Fourth Republic, De Gaulle's position vis-à-vis French manufacturing interests has clearly been strengthened in the last two years. Statistics recently published by the French Customs Bureau indicate that the French (Metropolitan) Foreign Trade balance for 1959 shows a surplus of 260.1 billion old francs as compared with a deficit of 202.1 billion old francs for 1958, and a deficit of 376.2 billion old francs for 1957. Exports rose to 2,775.2 billion old francs in 1959 from 2,153.1 billion old francs in 1958, and imports rose to 2515.1 billion old francs in 1959 from 2,355.2 billion old francs in 1958.²⁰ This increasingly favourable foreign trade position in a time of relative currency stability and increasing economic activity precludes the wreck of De Gaulle's European policies by manufacturers seeking to restrain trade by raising tariffs or delaying reductions under the escape provisions of the Common Market Treaty.²¹

¹⁹ Keesing's Contemporary Archives (1959-60), p. 17408C.

²⁰ Ministry of Foreign Affairs, Short News Bulletin, No. 208, (February 8, 1960), p. 17.

²¹ European Economic Community, Treaty establishing the European Economic Community, Art. 8, and also the Protocol relating to "Certain Provisions of Concern to France." The aim of these measures was to provide some insurance against the possible harmful effect caused to national economies by an over-strict adherence to the terms of the Treaty in the early stages of its 12-15 year period of implementation.

This is not to say, of course, that all sections of the French economy have done well in the last two years, but certainly the more progressive sections have done so and it is these sections which are of vital national importance and therefore influential with the government.

This leaves one with the question of the army and the European settlers in Algeria. Any settlement in Algeria would have to be such that the army could interpret it as a "victory".²² This is De Gaulle's basic problem. If he can end the war in this fashion then the Army will be staunchly pro-Gaullist. It will become increasingly devoted to the Fifth Republic as it returns to Europe, removed from the influences of Algerian European extremists and established as the strongest force on the continent west of the Communist Powers.²³ As for the influence of the Europeans in Algeria, that can be expected to split between those in favour of the settlement, those who are reactionary, and those who prefer to depart from Algeria to find a safer life in

²² This, of course, is largely a psychological question, but at the same time it restricts the avenues of escape from the Algerian dilemma, since there are certain solutions that nobody could pass off as a "victory", i.e., complete withdrawal. The French army, it is contended, badly needs some "victory" to justify fifteen years of effort in Indo-China and Africa.

²³ See below, Appendix F. It should be noted that when one talks of the French Army being the strongest on the Continent west of the Soviet Powers, one is referring essentially to numerical strength. One is interested essentially in the attitude of the Army Elites toward the state, and, generally speaking, this tends to be favourable or unfavourable according to the numerical size of an army. This may seem to be a ridiculous opinion in view of modern nuclear technology. However, it is by no means certain that nuclear warfare, either full-scale nuclear warfare or limited warfare, requires fewer men on the battlefield. Some writers contend that, on the contrary, far greater numbers are required [^{see, for instance, R. E. Osgood, Limited War (Chicago: Chicago University Press, 1957), p. 250, Ground Troops, and passim].}

metropolitan France. Once a settlement has been effected against their wishes neither of the last two groups is likely to have any significant influence whatever, and the first group must be essentially pro-Gaullist.

Even if De Gaulle were to leave office, either because of his death or for other reasons, there is every likelihood that, provided the Algerian question were solved, then a "pro-European" majority would continue to control France's international actions. France would continue to be ruled either by the present type of UNR men, whose prime raison d'être is Gaullism, or else by the old parties such as the Socialists, MRP and Independents whose past record of voting on European issues such as the ECSC and Euratom, suggests that they would continue to implement the main elements of De Gaulle's programme.

If, however, De Gaulle fails to bring about a solution of the Algerian problem then the likelihood is that France will either have to resort to a policy of clear "abandonment" or else to try to "pacify" the rebels. It is unlikely that a democratic type of regime would survive in either event, and to speculate upon the attitudes of Petainist or Neo-Fascist elements towards a united democratic Europe, and upon that Europe's attitude toward them, is completely a matter of conjecture, and therefore fatuous at the present time. Such a France might fit into a scheme of European unity, or it might not. That is all one can say.

The question of support in Germany for Adenauer's policy is directly related to the question of Germany's position in the world which Adenauer himself set out so clearly.²⁴ Is Germany to ally with Russia,

²⁴See above, chap. II.

to attempt to remain independent, or to become a fundamental part of the West? For an answer to this one may turn first to West Germany's political parties.

In the CDU (Christian Democrats) Adenauer and his policies are for the time being clearly dominant.²⁵ Thus, Richard Hiscocks notes that

in the case of Dr. Adenauer, for the first time in German history a great party leader has been responsible for great national achievements, and the party which he leads has thus been linked with his achievements. Its debt to the association is considerable, though at present it remains incalculable. Furthermore, the broad conceptions which have inspired Adenauer's policy - European integration and Western co-operation - have become, side by side with a Christian outlook on life, the central features of the party creed.²⁶

Because the structure of the CDU is flexible and guaranteed to secure the predominance in party counsels of the party's parliamentary leadership, then so long as Adenauer remains at its head the CDU will continue to carry out a pro-European, pro-Western policy.²⁷ Even if Adenauer leaves the leadership his most likely successors are pro-Europeans-- Dr. Etzel, the Finance Minister, must be a close supporter of the Adenauer line or else the Chancellor would not have advocated this man for his successor in the recent dispute with Erhard, and Erhard himself, insofar as one can comprehend the translated version of his book

²⁵This was clearly indicated by Adenauer's ability to retain the Chancellorship after his scuffle with Erhard in June, 1959. See Keesing's Contemporary Archives (1959-60), p. 16913.

²⁶Richard Hiscocks, Democracy in Western Germany (London : Oxford University Press, 1957), p. 78.

²⁷Ibid., pp. 77 and 78.

Prosperity through Competition, greatly favours European integration.²⁸

The Federal German Republic is to hold a General Election in 1961, and there is some indication that the SPD (Social Democrats) might gain power thereby. Originally of a Marxist nature, this party emerged from the Second World War under the direction of Dr. Schumacher, whose policies of neutralism and doctrinaire Socialism served only to lose every federal election.²⁹ Although Ollenhauer and the party machine continued to advocate the same policies after Schumacher's death, the leadership of the party has now been taken over by Willi Brandt. Since Brandt advocates a bipartisan foreign policy of unification in freedom and close ties with the West,³⁰ then whichever party achieves victory at the 1961 elections, Federal Germany is still likely to favour West European Unity.³¹

²⁸L. Erhard, Prosperity Through Competition (London : Thomas and Hudson, 1958). It appears, however, that there is some difference of opinion between Adenauer and Erhard on the European question. Adenauer sees European Federalism as a goal in itself. It is, in fact, a cornerstone of his whole policy. Erhard, on the other hand, is prepared to accept Federation as a useful means of achieving a sound place for West Germany. The inference is, therefore, that Erhard would be prepared to accept some alternative as a permanent system, provided this suited Germany's needs. On the question of British participation in European economic affairs, for example, Erhard has consistently advocated an agreement, even if this meant modifying the structure of EEC. While Erhard would probably not be prepared to break up the Franco-German association in order to ensure British participation, his attitudes are not at all to the liking of Dr. Adenauer.

²⁹Hiscocks, p. 81

³⁰"Brandt of Berlin," The Listener (May 12, 1960), p. 830.

³¹By 1956 the SPD had already altered its policies sufficiently to join in voting in favour of Euratom. See also, "Rival Heirs to the Grand Old Man," The Observer (London), Sept. 4, 1960, p. 4.

Political parties are not, of course, quite everything. What of the attitudes of the army, the refugees, and the manufacturers toward these matters?

The army, for its part, is no longer the powerful group pressure that it once was, being firmly under the control of Herr Strauss.³² The refugees, in spite of their often vociferous demands which cause the hackles of the London Daily Express to rise in anger and alarm, have never been able to influence West German politics to the extent of placing Adenauer's policy priorities in danger. As time goes by their influence declines with their numbers.³³ As far as the manufacturers and other economic pressure groups are concerned, a glance at the relative importance of the various parts of the world in German foreign trade at a time of unequalled prosperity, is sufficient to alleviate any fears that such groups would press the Federal Government into a neutralist or pro-Soviet policy in order to increase their own prosperity. The overwhelming mass of West German economic interests could never countenance any policy that was likely to antagonise the United States and the countries of Western Europe.³⁴

³² See the Article on Herr Strauss entitled "Germany's would-be strong man," NYT Magazine, June 1, 1958, p. 10. See also The Times (London), August 25, 1960, p. 8.

³³ It is unlikely that second generation refugees would have any particular longing to live where their parents once lived, and even amongst the first generation one wonders whether the greater part would be prepared to give up all they have established since 1945.

³⁴ See Appendix G, which outlines the direction of West Germany's foreign trade in recent years, and thereby produces a good indication as to where the interests of German industrialists live.

The only cause for concern, as far as West Germany is concerned, lies with the possibility that the West Germans might feel unable to remain outside any conflict that might start between the government of the German Democratic Republic and its subjects. It is conceivable that, in the event of a West German government invading East Germany to protect the people there against their own government or Soviet tanks, the other West Europe states would fail to back up the Federal Republic. In this case it is hardly likely that the present community would be able to continue.

One comes now to the question of the attitudes of the other members of EEC. Belgium, Holland, Italy, and Luxemburg have supported every issue on integration so far,³⁵ and unless some catastrophic event occurs in their respective political lives, such as a Fascist or Communist revolt, they can be confidently expected to maintain this pro-European attitude. In general the views of these members correspond closely to those of Adenauer, Christian Democracy being an important political tendency in all four states. That is not to say, by any means, that these powers have no influence, but it is clear that their influence is either so closely in accord with Adenauer's, or so secondary to the main problem of the Franco-German entente, that it is rarely decisive as an independent force.³⁶

³⁵ E. B. Haas, The Uniting of Europe (Stanford : Stanford University Press, 1958), p. 156.

³⁶ One ought not, of course, to underemphasise the negative role these countries can play in policy making. The Netherlands recently held up acceptance of the Gaullist scheme for EEC Confederation after everybody else had agreed to it. (See NYT, Feb. 12, 1961.)

CHAPTER IV

THE PROBLEM OF BRITISH PARTICIPATION IN THE WEST EUROPEAN COMMUNITY

Amongst the latest proposals aimed at securing a general European politico-economic agreement to include Britain, her Outer Seven Partners and the six member EEC group, that of a European Customs Union has been prominent. This is a sort of half-way house between the original Free Trade Area scheme and full membership of EEC. The questions which arise are: what does such a scheme imply; and, what are its chances of general acceptance?

In the first place it implies an area of free trade to include both Britain and her Outer Seven partners, and EEC. There would, however, be no institutional provisions of as vigorous a nature as those of EEC, but only some such arrangement as a Code of Behavior.

Such a scheme seems, however, to have small chance of success. It would be possible for EEC to accept perhaps Switzerland, Austria and Sweden on such terms but hardly such a major industrial country as Great Britain. It is quite clear that state action by means of the excessive provision of subsidies or resort to dumping could distort

trade quite as effectively as the use of tariffs.¹ It seems likely that EEC would expect any state or group of states which associated itself with the Common Market, on the assumption of trade liberalisation, to adhere to the Common Rules as outlined in Title I, Part III of the Rome Treaty.² This would require some system of inspection and control which could best be provided by the Commission of EEC³ or some institutional machinery designed along almost exactly the same lines as the Commission. Miriam Camps, in her study The Free Trade Area Negotiations,⁴ points out the differences of philosophy underlying the British and the "European" points of view,⁵ the former favouring an essentially laissez-faire approach, and the latter an institutional system in which the European Community as such should take over the regulation of trade from the national

¹If one supposes, for instance, that the pithead price of coal per ton were \$100 in France and \$80 in Britain, then so long as transport costs were less than \$20 per ton there would, presumably, be some export of British coal to France.

If, however, the French government wished to distort competitive conditions to the advantage of French coal producers, it could impose a tariff of, say, \$20 per ton on foreign coal. This would tend to reduce British exports of coal to France.

If, on the other hand, the British government wished to promote coal exports, it could pay a subsidy of, say, \$40 per ton to its coal producers. This would make it possible for the pithead price to drop to \$40 per ton in Britain (without the industry going bankrupt). Consequently the price per ton of British coal in France would become \$60 (\$40 pithead + \$20 tariff), and British exports of coal to France would tend, thereby, to be stimulated.

²European Economic Community (EEC), Treaty, Part III, Title I, "Common Rules."

³EEC, Treaty, Part V, Title I, Section 3, "The Commission."

⁴Miriam Camps, The Free Trade Area Negotiations (Princeton: Princeton University Press, 1959).

⁵Ibid., pp. 30 and 31.

governments.⁶ This latter approach was defended on the grounds that the Community was not concerned simply with the organisation of trade but also with the construction of European political unity,⁷ and that in any case it would not be possible to institute an equitable system of free trade throughout the continent without effective regulation to insure producers against unfair competition.⁸ Whilst it is possible that recent political developments⁹ have somewhat mitigated the pressure of the extreme Europeans for an all-or-nothing policy towards outsiders on the question of membership in EEC,¹⁰ yet the importance of the trade regulation element remains as strong as ever.¹¹ Consequently, it

⁶EEC, Treaty, Parts II and III. The aim of this part of the treaty was to provide the basic rules whereby the institutions of the Community should be able to so regulate trade that distortions of competition throughout the area would be avoided. A laissez-faire approach, as in the British FTA proposals would have created quite simply an area in which Free Trade was carried on, regardless of subsidized nationalised industries, discriminatory taxation, and so forth.

⁷For the importance of the "Europeans" such as Spaak and Hallstein in the development of the various organs of European "integration" such as ECSC, the Common Market, and Euratom, see Political and Economic Planning (PEP), European Organisations (London : PEP, 1959).

⁸The Six and The Seven, A Financial Times (London) Survey, Nov. 7, 1960, p. 63.

⁹Note the accession to power of De Gaulle and his attitude towards the general problems of European organisation, as outlined in Chapter II above.

¹⁰See above, n. 7., concerning Hallstein. See also Camps pp. 12 and 13. Note also the importance of the proposed acceleration of the Rome Treaty provisions with regard to the possibilities for a rapprochement between the EEC and EFTA blocs - for this last point see NYT, Feb. 11, 1961.

¹¹See the article by Hallstein "European Community Already Making Progress," The Six and The Seven, p. 16.

appears to be unavoidable that Britain must adhere to the provisions of the Treaty for trade regulation, and to its machinery or some similar machinery, if agreement is to be reached with the EEC powers. That is not to say, of course, that Britain need adhere to EEC in its entirety. The EEC Treaty is concerned with the organisation of three main elements in the economic life of its members, and it is possible that Britain could associate herself with EEC without accepting EEC control in all of these three spheres.

Let us consider this matter a little further. In Part III of the EEC Treaty the three main elements of economic life dealt with by EEC are set out under Titles I, II and III, respectively.¹² They are as follows:

Title I. - Common Rules

Chapter 1: Rules governing competition.

 Section 1: Rules applying to enterprises.

 Section 2: Dumping practices.

 Section 3: Aids granted by states (i. e. there must be no distortion of competition as a result of state action).

Chapter 2: Fiscal Provisions (i. e., states may not distort competition by inequitable taxation favouring certain products as against others).

¹² EEC, Treaty, Part III.

Chapter 3: Approximation of laws (i. e., the Member States shall approximate certain legislative and administrative provisions on a directive from the Commission, so that competition shall not be distorted).

Title II. - Economic Policy

Chapter 1: Policy relating to economic trends (i. e., co-ordination of national policies toward long-run economic developments).

Chapter 2: Balance of Payments (i. e., the instituting of collaboration between the administrative departments and the central banks of member states, so that equilibrium may be maintained in the balance of payments of all member countries, and so that confidence may be maintained in their currencies, stability maintained in their price levels, and a high level preserved in employment. The Commission shall submit to the Council recommendations for bringing into effect such collaboration).

Chapter 3: Commercial Policy (i. e., policy toward third countries).

Title III. - Social Policy

Chapter 1: Social Provisions (i. e., the promotion of close collaboration between Member States, primarily by governmental contacts).

Chapter 2: The European Social Fund (this is designed to promote work opportunities, primarily in such areas as Southern

Italy, and to aid the geographical mobility of workers).

Consequently, it would be possible for Britain to adhere to certain parts of these provisions, Title I and possibly Title III, whilst still retaining a considerable measure of independence on the remainder, that is to say, Title II. So long as a Code of Procedure had been adhered to by Britain there would seem to be little cause for friction on this matter.¹³

¹³If, for instance, the EEC were to turn into a full political and economic union, with one Central Banking System, then serious conflicts could arise between the interests of the Commonwealth countries and of Europe as a whole. It is conceivable, for instance, that the same "European" rate of interest, say 3%, could, because of other factors such as the availability of labor and so on, produce inflationary conditions in France, Germany, and Italy, but not in Britain. If general world prices tended to rise at about the same rate as those in France, Germany, and Italy, whilst British prices remained stable, then there would be a tendency for British exports to increase and for Britain's reserves of foreign currency to do likewise. This might be satisfactory from a European standpoint but it could be exceedingly harmful to Commonwealth producers, particularly those relying on Britain to provide markets for their primary produce. The only way out of this situation, assuming that there is only one Central Bank, one monetary policy, and one rate of interest in the EEC area, would be for Britain to revalue her currency. If, again, there were only one European currency, however, this would be equally unacceptable to the Europeans.

Suppose, on the other hand, that a Customs Union in Europe permitted the operation of two Central Banks (an EEC Bank in Paris, and an EFTA Bank in London, for instance). It is possible, in these circumstances, that the Bank of Paris would, for reasons of stability, impose an interest rate of 5%. In London, on the other hand, the government might be concerned to aid the Commonwealth by increasing imports to EFTA, and by likewise increasing capital outflows. It might be concerned, likewise, to expand domestic production. Hence it might set an interest rate of 2%. The tendency then, because institutional barriers had been eliminated after the establishment of the Customs Union, would be for EEC producers to borrow on a massive scale in London. This would prevent the effectiveness of Paris monetary policy and produce inflationary conditions where these were not desired. To avert such an occurrence as this, it would obviously be necessary to

A Code of Procedure would probably be sufficient to satisfy other EEC members on the provisions of Title II, whereas it would not be likely to do so for Title I. For a proper supervision of a country's obligations under Title I it would be essential that the Commission of EEC should have access to a large proportion of government documents, including not only Acts of Parliament but other published material, and also administrative matter that is generally hidden from public view, and which could be used effectively by governments to hide discriminatory measures.

The aspects of economic life touched by Title II, however, are not discriminatory between different industries but apply to a country's economy as a whole and in the second place, moreover, the measures usually employed for the implementation of government policy in this field, such as changes in Bank and Exchange Rates, are of necessity publicly known, and thereby easy to detect.

Consequently there would appear to be little reason for the members of EEC to demand Britain's complete adherence to all the Titles of Part III of the Treaty. The gains to Britain by way of separate

have some kind of agreement or code about the Bank Rates and Exchange Rates that were to be set at particular times.

It would clearly be to Britain's interest to be attached to Europe under the latter type of system described here, rather than the former. Against this one may object that there is no intention, anyway, on the part of EEC members, to institute the former system, and therefore Britain might just as well go ahead and join EEC in its entirety. However, even though the EEC Treaty does not provide for central direction of the banking system or monetary policies as yet, it does provide for close collaboration between administrative departments and a fair degree of influence by the EEC Commission. The fear would be, in Britain, that such measures would eventually enforce unification of policies.

identity would, on the other hand, be considerable, as much for political as for purely economic reasons--her position as Central Banker for the Sterling Area, and the necessity of British concern for Commonwealth interests being cases in point.

If by a Customs Union one means not only a single external tariff structure and internal free trade, but also internal regulation of trade by a Common Authority, then perhaps a Customs Union has considerable chance of general acceptance. Why then does Britain not go straight ahead and join EEC in this fashion? The answer to this lies primarily in the difficulty of associating the Commonwealth and perhaps the neutral members of EFTA with EEC, the protectionist attitude of French agriculture and industry, and the unwillingness of the French government to open negotiations.

The questions that one must ask, therefore, are whether it is possible to devise a scheme which will gain the acceptance of Britain, the Commonwealth, and the Outer Seven, and whether such a scheme would be likely to prove acceptable to the pressure groups within EEC, and if so, then how long this is likely to take?

Clearly Britain would find such a scheme of things acceptable. Politically speaking, it is the least of the evils facing the British government in the establishment of its new international position.¹⁴

Economic acceptability is admittedly somewhat more difficult to determine for one must take into account the attitudes of the

¹⁴See above, chap. II, Part III on the bases of Britain's position in international society.

manufacturers, the Trade Unions and the agricultural interest. As far as the manufacturing interest is concerned there is every indication that participation in a European scheme which provided for Common Rules and their enforcement would not prove so odious as to deter entry altogether. Indeed Miriam Camps¹⁵ points out that the Federation of British Industries has been consistently more progressive in its attitude toward European integration than the government.¹⁶ This attitude is scarcely likely to have changed during the last year which has been one of setback for British industries in foreign markets.¹⁷

It is likely, however, that agriculture¹⁸ and the Trade Unions¹⁹

¹⁵Camps, pp. 10-11.

¹⁶See also any back issue for the last 5 years of The Sunday Times, Observer, Economist or Manchester Guardian. These journals, always conscious of the interests of British industry, have consistently advocated closer economic ties with Europe.

¹⁷A. Shonfield, "Easing the Right Sector," The Observer, December 18, 1960, p. 2.

¹⁸There is one great difficulty that is likely to arise with the farming element, however. It may be necessary, in order to accommodate Commonwealth and Continental producers on the question of trade in temperate foodstuffs, to reduce the amount of acreage farmed in Britain. This should involve primarily marginal land and hence the burden should fall on the marginal, less efficient, producers. This could be accomplished by simply reducing the amounts of agricultural subsidies paid out by the government, subsidies which are considered, by not a few people in Britain, to form a greater part of national expenditure than necessary.

¹⁹British participation in any scheme such as EEC, that was designed to permit free movement of persons within the area (See EEC, Treaty, Part II, Title II, "Free Movement of Persons") would probably run into difficulty with certain sections of the Trade Union movement (witness the National Union of Mineworkers virulent opposition to the employment of Italian miners in Britain). It is not likely, however, that such opposition would extend to the whole of the Trade Union

would probably be none too pleased with Britain's entry into the kind of agreement suggested above. It is equally likely on the other hand that in a contest for the affections of the government and of the people in general, between an industry stagnating or declining for want of export markets and Trade Unions desirous of keeping out foreign workers, that industry would end up with the advantage--particularly with the Conservative government in office. As far as the farmers in Britain are concerned there is one particularly big stick for any government to hold over them. In the last analysis an agriculture as prosperous as that of Britain depends on a prosperous industrial market, and hence the demands of industry are as essential to the farmer as to the industrial worker.

There might also be some losses to Britain if Imperial Preference had to be dismantled, but according to the Economist Intelligence Unit's survey The Commonwealth and Europe, Imperial Preference is already of declining importance to British Industry,²⁰ and even an intensified preference scheme could hardly offset the losses likely to be incurred if Britain were excluded from Continental markets in the long run.²¹

movement. In any case a Conservative government is now in office which is likely to be less responsive toward the more tender feelings of the Unions than a Labour government might be. In addition to this, there are various methods open to the Unions, if they so wish, to deny work to unwanted persons without restrictions of movement, i. e., Union Cards, the closed shop and so forth. On this question of Trade Union attitudes toward European Union see Roy Pryce, "Inch by Inch," Socialist Commentary, Nov., 1960.

²⁰ Economist Intelligence Unit, The Commonwealth and Europe (London : The Economist Intelligence Unit, 1960), pp. 10-24.

²¹ See below, Appendix H.

There is, however, one group of pressures whose support for British entry into an European Customs Union is very much a conditional affair, and that lies in the Commonwealth countries.²² Any scheme for a Customs Union must state explicitly what opportunity shall be accorded to Commonwealth producers to market their commodities in Britain and in Western Europe as a whole. Under the FTA scheme this problem would have been overcome by the use of different external tariffs. Under a Customs Union scheme, with its single common external tariff structure, entry of Commonwealth products would have to be guaranteed by a quota system.

Would it be possible to protect Commonwealth countries in this manner without disrupting the European Economy? The Economist Intelligence Unit for its part considers such an idea to be very much a practical possibility, and constructs a scheme which demonstrates this. Whilst a European settlement is not likely to follow the Economist Intelligence Unit's suggestions in all their particulars, it seems likely that any solution on a Customs Union basis must develop along somewhat the same lines as the Economist Intelligence Unit's suggestion; consequently it will be of some value if the essentials of the scheme are outlined here, so that the implications for those concerned may be drawn.²³

²² Throughout this section of the text the words "Commonwealth Countries" or "The Commonwealth" denote the Commonwealth, less Britain.

²³ See below, Appendix I.

In the first place it is important to note that 39.1% of Commonwealth exports to Europe in 1956 consisted of raw materials on which there were no tariffs and on which there still are no tariffs. As far as this 39.1% of Commonwealth exports to Europe is concerned the formation of trading areas in Europe makes no difference whatsoever, except in so far as a strengthened European economy would increase demand for these Commonwealth products.

In the second place 22.2% of Commonwealth exports to the U.K., and 5.2% of Commonwealth exports to the remaining eleven European states (The Six + Seven - Portugal = The Twelve), consisted in 1956 of Temperate Foodstuffs. These products fall within the scope of the agricultural provisions of EEC and hence of any European Customs Union, and consequently require separate consideration.

The position which EEC takes on agriculture was sketched out in the Rome Treaty and has since been outlined in detail by the Commission of EEC.²⁴ The more significant parts of this outline are as follows:

- A. The Treaty fixes the following aims for the common agricultural policy:
 - (i) to increase productivity by technical progress, by the rationalisation of production, and by the optimum utilization of the factors of production, particularly labour;

²⁴EEC, Treaty, Part II, Title II, "Agriculture". See also National Farmers Union (Great Britain) Cyclo Econ. S. 9. 138.60, and Cyclo Econ. S. 108/1642/60 "The Agricultural Proposals submitted by the Commission of EEC."

- (ii) to ensure thereby the standard of living of the agricultural population, particularly by increasing individual earnings;
- (iii) to stabilize markets;
- (iv) to guarantee regular supplies; and
- (v) to ensure reasonable prices to consumers.

B. An examination of the various proposals (for dealing with the various commodities) indicates that all sorts of techniques are to be used: the establishment of European marketing boards; the determination of "target", "intervention", and "maximum import" prices; the operation of levies on imports to bridge the gap between world prices and Community target prices; the creation of funds derived from these levies, and sometimes from the exchequer, to finance additional support operations in the internal market; quantitative regulation of imports from outside the Community by a system of import certificates, etc. Moreover, there is to be a European fund for structural improvements in agriculture. This will be used to subsidise lower interest rates or extend the redemption period of credits granted by the European Investment Bank, private or public authorities in the individual states, region or locality. These resources will only be available for agricultural projects which are part of a general plan for the economic development of a region. The funds will be financed through the Community budget, i.e., by Government contributions and perhaps also

from import levies on the various commodities.²⁵

C. Thus on the following commodities:

- (i) for wheat, coarse grains, sugar and dairy products the Commission proposes the establishment of European Market Organizations, involving a fairly detailed intervention in the internal markets of the Community and corresponding external protection.
- (ii) for beef, pigmeat, poultry and eggs, support will be chiefly afforded through external protection which, in the case of pigmeat, poultry and eggs, will also be closely linked with that for coarse grains. (Amended later to include a European Bureau for each of these groups of products).²⁶
- (iii) for fruit, vegetables and wine, the decisive role is to be played by a quality control.²⁷

The important thing to note in all this is that there is no intention whatever, on the part of EEC, to institute an agricultural system within the area whose operations are determined solely by relative prices, either between producers within the community or with competitors outside. There is to be instituted a complex, managed system including some price supports, and some subsidies and loan payments, together with tariff and quantitative restrictions on imports. This fact becomes of considerable

²⁵ National Farmers Union, Cyclo Econ. S. 9. 138 . 60, pp. 1 and 2.

²⁶ National Farmers Union, Cyclo Econ. S. 108/1642/60, p. 2.

²⁷ National Farmers Union, Cyclo Econ. S. 9. 138. 60, p. 1.

importance when one takes into account the agricultural question in problems of associating The Six and The Seven.

If one goes back to the original Free Trade Area Scheme as proposed by the British, agriculture was to be left out of account.²⁸ It was later contended by many of the newspapers that this was the main reason why FTA was unacceptable to Continental countries, and that consequently Britain had been obliged to back down from a purely Industrial FTA. Thus The Economist of July 13, 1957 said that "M. Pineau declared that France could never accept a Free Trade Area from which agriculture was left out. The Danes and the Dutch are equally adamant."²⁹ If, however, it was now proposed to form a European Customs agreement in which agriculture was not "left out," but consigned to two separate systems of managed markets operated by the present trade organisations, with certain common arrangements for the whole of the European economy, would this be so categorically refused? Developments since 1957 in the field of agricultural trade policy are indeed such as to suggest that such a scheme for European agricultural production might not be refused.

Firstly, Britain's "no agriculture" position has been broken down sufficiently to accommodate the Danes in the EFTA agreement. Hence there is already one trade scheme in Europe which combines free marketing of industrial products with an agricultural system that is able

²⁸Camps, p. 32.

²⁹The Economist, July 13, 1957, p. 103.

to absorb large quantities of both European and Commonwealth temperate foodstuffs.

Secondly, events within the Common Market are such that the desire for the extension of the EEC agricultural market scheme is becoming of less importance. The Economist noted that the French and the Dutch were the two countries within EEC most opposed to the Free Trade Area scheme for agricultural reasons. It is a little difficult to believe, however, that French agricultural interests have ever been seriously in favour of an extension of European agricultural trade beyond the limits of the Common Market. As the Financial Times Paris Correspondent points out, French agricultural interests are in favour of the Common Market for protectionist reasons.³⁰ It is inconceivable that they should have been in favour of a scheme which would have exposed them to the competition of low-priced products from Canada, New Zealand and so on, not to mention Denmark. French and Dutch agriculturalists are doing well out of the Common Market as it stands and are likely to do even better as it develops. There are two main reasons for this. If, as many French agriculturalists hope, the general agricultural price level within the Common Market should rise to the German level,³¹ then these farmers would immediately benefit from higher prices for their commodities. If on the other hand prices of the various EEC countries' agricultural produce remained the same as they are now, then Dutch

³⁰ "EEC a Great Stimulus to France's Economy," The Six and The Seven, p. 63.

³¹ Ibid.

and French farmers should gain from increased exports to the other members, in particular Germany.³² Thus, either way, French and Dutch farmers stand to gain. What one must not neglect, however, are the attitudes of the French and Netherlands governments to these matters: they would almost certainly favour the latter approach, since otherwise any increases in earnings to French farmers must come out of French and Dutch pockets and not from increased export earnings in Germany.

The Financial Times produces figures which illustrate amply the disparity of prices on selected commodities in the various EEC countries and which thereby provide some indication of likely gains to selected producers, either from the establishment of a single price at the high German level, or from the institution of free trade in the area.³³ If these figures can be taken as being fairly representative for prices on temperate foodstuffs in these European countries, then it seems likely that most countries would be fairly well satisfied with the agricultural situation as it is, even if industrial free trade were established. Increased earnings by Dutch and French farmers resulting from a Common EEC price level established at or near the present German price level, or from increased exports to other EEC members should do much to diminish any demand there might be for new competitive markets, on

³² Clifford Selly, "Six at Odds on German Trade Pacts," The Sunday Times (London), November 6, 1960. Note, in particular, the following phrase from this reference: ". . . both the French and the Dutch . . . see opportunities for expansion in the German market."

³³ See below, Appendix J.

their part. This does nothing, of course, to eliminate the problem of the agricultural surpluses which are expected to appear at the end of the formative period, but it is already recognised that this is a problem that will need special solution, as do similar problems in other surplus areas such as the U.S.A. and Canada.

The implications of all this are that the present arrangement for trade in European and Commonwealth temperate foodstuffs, on the European continent, is probably about the best that is possible under the circumstances, and that there is no real reason why it should be changed if a general European Trade agreement is reached. As the Economist Intelligence Unit notes:

Close association of "The Six" and "The Seven" in a form which would require that easier access to the U.K. market should be given to Continental producers, and that there should be some reconciliation of agricultural policies in the U.K. and "The Six" would carry the risk of affecting a very considerable part of the Commonwealth's trade in foodstuffs. The simplest solution would be to leave such products outside the scope of the single market, as in the original FTA proposal.³⁴

If, moreover, one bears in mind the considerable difficulties likely to arise in extending the EEC agricultural policies, as outlined above, to the whole of Western Europe, and the satisfaction of most European agricultural interests with present arrangements, then one must come to the conclusion that trade in temperate foodstuffs will more than likely be left as it is at present.

Even if changes are made in the structure of European trade in temperate foodstuffs, the resulting agreement on them between the

³⁴The Economist Intelligence Unit, p. 126.

European countries is likely to consist of a mass of multilateral and bilateral arrangements designed to protect various producers (i. e., European and Commonwealth) rather than a generalised system based on attempts to embody the principles of an economic philosophy, such as, for instance, the laissez-faire system.³⁵ This being so, under any European system that is likely to secure general agreement, Commonwealth producers would have only marginal grounds for complaint and so the agricultural produce question can be considered to be soluble within the terms of existing West European trade practice.³⁶

So much for Raw Materials and Temperate Foodstuffs which together accounted for 66.5% of Commonwealth exports to Europe in 1956. If one turns now to Tropical Foodstuffs the possibilities for agreement between EFTA and EEC, on terms acceptable to the Commonwealth,

³⁵The primacy of social over economic philosophy, so far as a distinction can be drawn between the two, is particularly noticeable in West European attitudes toward the agricultural question, and so agreements on trade in temperate foodstuffs are likely to be concerned with protecting the established positions of French, Danish and New Zealand producers and so on, rather than with securing maximum factor returns by means of increased specialisation and so forth.

³⁶Commonwealth producers of temperate foodstuffs, like all other producers, are concerned not only to maintain existing markets, but also to extend them where possible. These producers would, therefore, be somewhat less than fully satisfied at the prospect of restrictions, even at present levels of sales, in their European markets. However, this would be of concern more to the agricultural producers than to the respective governments, i. e., Canada, Australia and so on, who would be more concerned with overall exports, i. e., agricultural products, metals and so forth--some of which could be expected to increase considerably--and, in addition, it is likely that Commonwealth agricultural producers would have to be satisfied with what the U.K. government could secure for them by way of special entry provisions to the European market, since the alternative, should Britain decide to join EEC unilaterally, would be very much worse, i. e., the probable total elimination of Commonwealth exports of temperate foodstuffs to Europe in the long run.

appear to be even brighter, largely because both groups could maintain preferential systems with regard to certain third countries. The Economist Intelligence Unit's scheme provides for the extension of tariff-free entry for Commonwealth Tropical Foodstuffs to non-metropolitan countries in EEC, i.e., Germany and Italy. This seems hardly likely to be acceptable to EEC but at least it should provide a useful bargaining counter. There seems to be no reason whatsoever why these two preferential systems should not be operated alongside each other on terms which satisfy both Commonwealth and French Community producers.³⁷

As far as Oilseeds and Sisal are concerned the question is entirely one for U.K. unilateral action, since EEC maintains no tariffs at all on these commodities. The most likely solution to this matter would be to abolish the U.K. tariff, which, according to the Economist Intelligence Unit, would be unlikely to hurt Commonwealth producers greatly, and might improve their possibilities for trade.³⁸

If, then, one accepts the likelihood of European arrangements on trade as suggested above, the total of Commonwealth exports to Europe that could be fitted into a general European arrangement with virtually no alteration in present tariffs is considerable. These commodities may be totalled as follows:³⁹

³⁷ The Economist Intelligence Unit, chap. IV.

³⁸ Ibid., pp. 156-161 and 210-212.

³⁹ See below, Appendix I.

Table I -

	<u>% of Total</u>
1. Raw Materials	39.1
2. Oilseeds and Sisal	4.5
3. Other Raw Materials	0.9
4. Tropical Foodstuffs	9.1
	2.7
	0.4
5. Temperate Foodstuffs	22.2
	<u>5.2</u>
	<u>84.1%</u>

If one assumes that of the remaining five groups of commodities not fully disposed of, at least one-third (that is to say, some 6% of total Commonwealth exports to Europe in 1956) could be accommodated in a general low European tariff, then it becomes evident that only 10% of Commonwealth exports to Europe need be imported into the U.K. under the special tariff-free or tariff-lowered quotas.

Given the desire to implement such a scheme there seems, therefore, to be no earthly reason why it should not come into effect. In the first place quotas are already part of the established practice of EEC, and in the second place these quotas need not be so large a percentage of total trade as to make the whole thing meaningless. Since the entry to European markets would be ensured by European tariffs and European quotas rather than by British tariffs, as originally proposed for The Free Trade Area, then the objections on grounds of supervision and inspection would not arise.

The question that arises now is whether such a scheme is likely

to prove acceptable. Admittedly it is economically practicable and acceptable presumably, on this score, to the Commonwealth and to British internal pressure groups, but is it likely to prove acceptable to the Europeans, and if so, when?

One must consider, first of all, Britain's partners in The Outer Seven. These can be divided into two loose categories--the neutralists, and the others.

If no other consideration than the immediate volume of trade were taken into account, then Austria and Switzerland in particular would be more inclined towards association with EEC than with EFTA.⁴⁰ Non-trade factors, however, are of considerable importance in this matter. The Austrians, the Swedes and the Swiss are concerned about their neutrality and are consequently loth to join EEC, which would imply intervention in their internal affairs by a common European organisation.⁴¹ Whilst it appears to be certain that Denmark, Norway and Portugal, whose economic ties with EEC are paradoxically of less relative importance, would be willing to enter a European group with supranational controls, Austria, Sweden and Switzerland might be tempted to remain outside. This raises the question of how much pressure the neutral powers might be able to bring to bear on the British government

⁴⁰ See below, Appendix K.

⁴¹ The Six and The Seven, *passim*. See also the following: Olivier Reverdin, "La Suisse et l'Europe," La Revue des Deux Mondes (Nov. 15, 1960), p. 224; M. Gunnar Hagglof, "A Test of Neutrality: Sweden in the Second World War," International Affairs, XXXVI, No. 2, (April, 1960), 153; NYT, May 15, 1955. See also The Economist, Feb. 13, 1960, p. 598.

against any solution that they might think to be against their interests. Considering the importance of a general European settlement to the British government and to Britain's international position, however, it is inconceivable that the neutrals would be able to prevent any reasonable solution such as the one outlined above. Given the determination of the British government to join such a scheme, the neutrals themselves might be persuaded to join on the grounds that a Customs Union, even with internal regulation need not necessarily abrogate their neutrality. If this proved unacceptable it might still be possible for them to align themselves with the European association, either as a member to whom internal regulations did not apply or in some other form.

The only other problem likely to affect the association of The Six and The Seven would be with respect to the trade in agricultural products, supposing that the General European Organisation left the trade in temperate foodstuffs to the present organisations, the EEC and EFTA. J. O. Krag points out that ~~£~~ 100 million of Danish Farm products went to EEC in 1959, and ~~£~~ 118 million to EFTA, and that Danish exports of dairy products and bacon to EFTA are based on a production pattern which presupposes that markets for beef, cattle, sows and slaughterhouse offal can be found in the Common Market.⁴² Hence Denmark would be most unhappy to have to ratify any agreement between EEC and EFTA which excluded agricultural inter-trade between the two areas. This problem is not by any means insoluble, however: "The Six," it must be remembered export considerable quantities

of agricultural produce to Austria, Switzerland and the U.K., and consequently there is no reason why accommodation of agricultural interests between the two agricultural marketing groups should not be included in the terms of any general settlement.

In general one may say that, whilst the association of "The Six" and "The Seven" would pose problems for certain members of the EFTA, these problems are not of such magnitude as to be insoluble, given sufficient desire for a settlement in Britain and within EEC.

One must now, therefore, consider the attitudes of the countries of EEC to the problem of associating "The Six" and "The Seven" in the kind of scheme outlined above.

Belgium, Germany, Holland, Italy and Luxemburg have repeatedly stressed the necessity of extending the European system to as large a number of states as possible, provided always that this does not undermine the basic principles of the Organisation (i. e., by dropping the common tariff) and there seems to be no real reason to doubt their sincerity.⁴³

Unfortunately, perhaps, the last word does not rest with these five states but with their partner, France, and France at the moment appears to be ill-disposed toward the idea of negotiating a European settlement. The questions which immediately arise now are, of course: What are the reasons for this attitude on the part of the French, is

⁴²J. O. Krag, "Industry's rising Share in Danish exports," The Six and The Seven (Nov. 7, 1960), p. 30.

⁴³Ibid., pp. 54-60. See also Camps, passim.

there any likelihood of a change in this attitude, and if so, when? For an answer to the first, one must examine the French internal situation.

The first thing to do is to take a look at how such an arrangement as a Customs Union would fit in with De Gaulle's proposals for the organisation of Europe. It must be admitted that De Gaulle's attitude toward the possibility of British participation in European affairs, by any means short of full membership of EEC, remains something of an enigma. However, there are, perhaps, certain hopeful signs. In the first place De Gaulle's interest in economic affairs is extended only to the degree that these affairs have an influence on the national interest--as a consequence of which there is little doubt that De Gaulle would not reject a Customs Union agreement with quotas simply because it might appear somewhat unorthodox. If it was felt that Britain should be brought into Europe at any time, then the most convenient economic vehicle, whatever it might be, would be obliged to serve. The second point in favour of the hope for an agreement, is of course, the passage on an Anglo-French alliance in the War Memoires.⁴⁴ Thirdly, one might note that in De Gaulle's address of December 31, 1960, the President of the Republic said: "We shall help to build up Europe, which by confederating its nations, can and must become the greatest political, economic, military, and cultural power that has ever existed."⁴⁵ It is

⁴⁴ See above, pp. 9 and 10.

⁴⁵ Ambassade de France, Service de Presse et D'Information, Address by General de Gaulle Broadcast over French Radio and Television Network, French Affairs No. 110, Dec. 31, 1960.

difficult to see how this could be done without the participation of Britain, since the EEC group amounts to only 160 million or so persons, with an average income less than half that of the U.S.A., which in addition has more people. The fourth favorable point lies, perhaps, in Raymond Aron's analysis of De Gaulle's political method, which, he says, will permit De Gaulle to conclude startling or "grand" moves on the international stage only when the time is ripe.⁴⁶ In the light of De Gaulle's analysis of France's position and power requirements as expressed in the War Memoires, it is unlikely that bold moves can be made in Europe until France is settled at home, i.e., until the Algerian affair is cleared up. Moreover, a dual agricultural scheme, as outlined above, should this prove necessary, would not be in contradiction to De Gaulle's ideas, since this would guarantee France a continuation of her special position vis-à-vis the Common Market group, of which De Gaulle spoke when he advocated a grouping of Rhenish and Alpine states around France, and which he is trying to realise by his scheme's for establishing Directorships in NATO and for institutionalised diplomatic consultation in EEC. A Customs Union agreement for the whole of Western Europe, in fact, embracing both a French-led EEC group and a collection of British-led states, and in association with the countries of the Commonwealth and the Community, appears to fit in, almost perfectly with De Gaulle's plans, as expressed in the War Memoires.⁴⁷

⁴⁶ Raymond Aron, "The Political Methods of General de Gaulle," International Affairs, XXXVII, No. 1 (Jan. 1961), 19-28.

⁴⁷ See above, chap. I, Section 1, and chap. III.

Why then are serious negotiations not yet under way?⁴⁸ The answer to this lies partly in the Algerian problem and partly in the attitudes of French agricultural and manufacturing interests. Until the Algerian problem is solved France will not be strong enough to dominate the EEC group in the manner that De Gaulle specified in his Memoires; and until the French Army is returned to Europe and its traditional place in French society,⁴⁹ De Gaulle cannot afford to alienate such important groups of pressure as the manufacturers and the agriculturalists; and these particular pressure groups are at the moment implacably opposed to any extension of the Common Market System.⁵⁰

Let us inquire a little further into the natures of the Algerian problem, and of the manufacturing and agricultural interests in France.

The solution which De Gaulle hopes to see established in North Africa is that of an independent or semi-independent Algeria, closely linked to France.⁵¹ If De Gaulle succeeds in this the effect on the balance of power within Western Europe could be considerable, since by 1970 French Metropolitan production, stimulated by Saharan resources, the foreign exchange earned from the sale of these resources, and the

⁴⁸ Lawrence Thompson, "Macmillan's Ifs and Buts," The Observer, Jan. 8, 1961.

⁴⁹ See, in this connection, J.-M. Domenach, "The French Army in Politics," Foreign Affairs, XXXIX, No. 2, (Jan. 1961), 185.

⁵⁰ "EEC a great stimulus to France's economy," The Six and The Seven, p. 63.

⁵¹ See above, chap. II, Part 1. See also "De Gaulle offers Algerian rebels new peace talks," and "Text of De Gaulle's speech offering peace parleys," NYT, December 21, 1960, pp. 1 and 12.

termination of military expenditures in Algeria, would probably be either equal to or greater than either British or West German production.⁵² If one adds to this the production of Algeria, a closely associated country, whose influence in Europe would be felt partly through France, then by 1970 France would be well on the way to being the largest industrial producer in Western Europe. In this circumstance it is possible that De Gaulle would feel ready to move France into a general European trade agreement as soon as his extreme dependence on pressure groups such as the manufacturers was ended, that is to say as soon as the Algerian situation had become stabilized sufficiently to permit the return of the French Army to Western Europe. It is highly unlikely that matters will so move as to

⁵²See the Economist Intelligence Unit, p. 62, for a conservative estimate of French NNP growth. With the increase in French NNP estimated at 3.5% per annum between 1955 and 1970, and the increase in U.K. NNP estimated at 2.3% for the same period, the Economist Intelligence Unit gives a French NNP of 25, 215 units for 1970 and a British NNP of 26, 435 units for the same year. Such an estimate seems, however, in the light of recent experience, to be biased in favour of the U.K. (See in this connection *The Economist*, Feb. 13, 1960, p. 670).

For the importance of Saharan resources to French economic development see Louis Kraft, "The French Sahara and its Mineral Wealth," *International Affairs*, XXXIV, No. 2 (April, 1960) 197. See also Edgar S. Furniss, France, Troubled Ally (New York : Harper and Bros., 1960), p. 413.

For figures on the cost of the Algerian war and its effect on the French economy see Furniss, pp. 211-214. However, it should be noted that even the end of military conflict in Algeria would probably make little difference to the scale of government expenditure as a percentage of national expenditure, since the cost of aid to Algeria would more than likely continue to be exceedingly high over at least the next ten years, and costs of developing nuclear arms for the French army, plus a backlog of demands for government expenditure on such items as housing construction, would probably fill in whatever reduction in expenditures was permissible as a result of the end of the conflict. However, except on the nuclear question, such deflection of expenditure would undoubtedly have a beneficial effect in the form of increased internal markets in the Franc zone, and increased efficiency through the provision of improved social amenities such as better housing.

permit the establishment of such a settlement before 1962 at the earliest, and until that time Europe must wait.

If De Gaulle fails in Algeria then there is ultimately only one possible end to the war--complete Algerian independence.⁵³ If this happens, and whether or not De Gaulle remains in power, France's readiness to enter a general European trade agreement will depend on the readiness of the manufacturers to contemplate such a move.

The negotiations for the establishment of the Free Trade Area in Europe were broken off by the government of General de Gaulle for three main reasons: the ideological importance to De Gaulle of the single external tariff and hence of internal regulation; the unsatisfactory nature of British proposals for the regulation within Europe of goods coming from outside; and the protectionist attitudes of French manufacturing and agricultural interests.⁵⁴ The proposal for a Customs Union eliminates the first and second objections by the French government, but not the third. If a scheme were adopted as suggested above which left trade in agricultural products to the two existing organisations then agricultural interests, too, could hardly object to the extension of the system. Under any possible scheme, however, the French manufacturers remain as yet

⁵³There is, of course, the possibility of partition. This would have advantages and drawbacks as far as French national expenditure was concerned. On the one hand Saharan resources would be guaranteed an exit to European markets, and the large costs of Algerian development would be terminated. On the other hand it would probably necessitate the maintenance of a permanent army in Algeria, fully equipped and fully prepared to deal with any hostile Muslim action.

⁵⁴Camps, passim.

opposed--they would, of course, object as violently to British membership in EEC as to any other system. There are, however, some grounds for the hope that this attitude may change, and fairly quickly at that. In 1960 French industrial production increased by some 8% whilst prices remained stable,⁵⁵ and government expectations indicate an increase of 7% for the next two years.⁵⁶ Likewise in 1960 exports were up by some 20%.⁵⁷

In addition to these figures which point to a growth of confidence within the manufacturing groups, Le Monde points out that 1960 has not been a year of spectacular expansion by the French economy as compared with 1958.⁵⁸ Hence one can expect to see a still greater growth of confidence in the future provided that inflation and excessive imports do not destroy markets for French products either abroad or at home.⁵⁹ Le Monde goes on to point out that in order to achieve growth in the future France has now arrived at the stage where internal restrictions and monopolies, of which, according to the Rueff-Armand Committee report⁶⁰ there

55 See U.S. News and World Report, Jan. 2, 1961.

56 See The Six and The Seven, p. 63.

57 See U.S. News and World Report, Jan. 2, 1961. Also, see below, Appendix L.

58 Le Monde, December 29-January 4, 1960, p. 6.

59 This presumes, of course, that business will "pick up" as expected, and that the attitudes of manufacturers as a group are directly related to business conditions.

60 For a summary of the Rueff Report, outlining the need for the elimination of internal restrictions, see NYT, May 6, 1960. For an outline of the Rueff-Armand Report see France Actuelle, X, No. 2 (Jan. 13, 1961).

are far too great a number, must be eliminated by greater exposure of the economy to outside competition.

This economic expansion, however, is not without its deficiencies and insufficiencies. It is held up too often by collective pressures, by knots and deformities in the national economic structure. One runs very quickly into these well-known problems when trying to press this economic expansion. The Rueff-Armand Committee has, as its precise object, the tasks of establishing just what these obstacles are and the means necessary for dealing with them. Reforms have been attempted by the government, and these attempts encountered strong resistance. The best remedy lies in opening the economy wider and wider to external competition. Most of the obvious privileges, the monopolies and outdated traditions, continue to exist only because they are protected against the international milieu. Foreign competition helps to free domestic competition. The most significant happening of the year is the progress of the Common Market with the tendencies toward free trade which radiate around it.⁶¹

Given the validity of Le Monde's thinking and the importance of its opinion in France, it should not be long before the more progressive industrial groups are beginning to agitate for an end to the brakes on expansion and increased exports, and before the government is beginning to think of Le Monde's methods for the propagation of expansion. On the other hand, given the strength of the opposition groups, the Government would need to be in a fairly strong position before it could favour the more progressive sectors of the economy, and the country as a whole, by indulging in freer trade with outsiders. At any rate the trend is in the right direction, and provided that the trend for expansion continues and that the Government can be placed in a more secure position by the end of the Algerian war, then at some time between 1962 and 1970 the French ought to be ready to conclude a general European trade agreement.

⁶¹Le Monde, December 29-January 4, 1960.

One may conclude, therefore, to this whole section concerned with the possibilities for British membership of a general European trade organisation, that although there are many imponderables in the situation, it is very likely that some agreement will be formed before 1970, depending mostly on French willingness to accept British as well as German competition. Some kind of Customs Union scheme which must be similar to the one described seems able to reconcile all interests but the French at the moment, and their acceptance or rejection of such a scheme depends on factors essentially unconnected with the form of the proposed organisation.

It may be objected, of course, that this is all very fine but Britain simply cannot afford to wait that long. The answer to this is that there is simply nothing else that Britain can do. To move further out of Europe is politically unacceptable⁶² and could be economically disastrous;⁶³ to join EEC in full would mean renouncing obligations to the Commonwealth countries and EFTA members which at the present Britain is unwilling to do;⁶⁴ and consequently there is nothing else to do but to wait and to keep up as much pressure as possible on individual EEC members, preferably by way of their partners and the U.S.A.

⁶² See above, chap. II.

⁶³ See below, Appendix H.

⁶⁴ If Commonwealth preference became of almost no importance over a period of time, owing to changed world trading conditions, then there would be nothing to prevent a unilateral British move to join EEC --this, however, would probably take some 20 years at the least.

In summary of this section one may say that the likeliest possibility is that within the next ten years one may well see emerge a great Customs Union in Western Europe, embracing both the EEC and EFTA, and having associated with it the Commonwealth, the French Community and the remaining non-Soviet states of Europe such as Finland, Iceland, Eire, Spain, Yugoslavia, Greece and Turkey. It must be based on a common external tariff and internal free trade, and will more than likely have a considerable measure of internal regulation as well.

CHAPTER V

THE PROSPECTS FOR FEDERALISM IN WESTERN EUROPE

In an earlier part of this thesis it was pointed out that there exist certain differences of opinion about how Europe should be organised, with the "European" school preferring a United States of Europe and the nationalist group a Confederation of European states. It was also pointed out that the Europeans, in despair at the difficulties of creating the desired federation by direct political action, had now pinned their hopes on a process of "functional integration", whereby the pooling of economic activities under central control would eventually make the formation of a federal government necessary, in order that chaos should not result from a fragmented conduct of economic affairs. The purpose of this chapter is to explore the validity of functional tenets, and since the British government's attitude on these matters is of necessity almost identical with that of General de Gaulle, as opposed to the views of the "European" school (i. e., Adenauer, Schuman, Spaak, and Hallstein), it will be possible to consider here the chances of functional integration in EEC alone. EEC provides, in this way, a laboratory case. Any conclusions one might come to about functional integration in EEC would apply equally to a wider

European trade grouping including EEC and Britain.

The method employed here in the examination of the possibility of functional integration will be as follows: to set out the main elements of the functional argument from as competent a source as possible; to criticise this argument by an examination of its internal applicability, and by comparison with other similar economic institutions such as those provided by Federal states.

One of the best outlines of the Functional argument is found in E. G. Haas' The Uniting of Europe.¹ The essentials of his ideas are summarised under Points 1 to 6 below.

1. In the original state in any specified area, in this case Western Europe, there are a number of politically relevant groups, each with a pattern of ideological attitudes. "We are concerned," says Haas, "not with the committed 'European', be he Liberal, Conservative or Socialist, but with permanently functioning élites for whom 'Europe' is one of the symbols, but not necessarily the dominant one."²
2. These groups or élites can be divided into the following categories relative to any particular measure of integration such as a proposed European Coal and Steel Community;
 - a) Elites with long-run positive expectations.

A system of demands may develop in the programme of a national

¹E. B. Haas, The Uniting of Europe (Stanford : Stanford University Press, 1958).

²Ibid., p. 289.

elite, seeking the support of kindred élites in other ECSC countries, designed to establish a far-reaching series of policies realisable only in the framework of supranational institutions. Further, the successful realisation of such a programme depends on continuing supranational activity; it cannot be terminated with the publication of a single decree or ruling. Any programme of long-range economic planning would fall into this category, as would a policy of permanent harmonisation of social benefits. In the political realm, the asserted need for continuing parliamentary supervision over the activities of supranational administrative bodies would also constitute a long-run positive expectation.³

b) Elites with short-run positive expectations.

Whenever a national or supranational élite wishes to make use of supranational institutions for the establishment of a single condition, or a series of unconnected individual measures, positive action is indeed expected, but the element of continuity is absent. The desire to establish conditions of free trade by abolishing quantitative restrictions, exchange controls and tariffs is such an expectation. After the achievement of these steps no further far-reaching action is expected from supranational authorities except perhaps the routine steps of policing the free market. The same is true of demands to curb cartels, do away with rail discrimination or permit free labour migration. Whenever the expectations in question involve some kind of continuing administrative measures, however, an initially short-run expectation may develop into a long-run demand. This, for instance, would be true of the desire to regulate the scrap market or to permit a regulated price flexibility.⁴

c) Elites with short-run negative expectations.

Elites may, singly and collectively, seek to prevent the supranational institutions from undertaking a specific policy, e.g., regulate prices or break up a cartel. The process of combining and pooling their political power may reflect no permanent desire whatsoever to work together. It may merely be an ad hoc alliance designed to bloc a specific policy. If successful, the alliance may then disintegrate and give rise to no permanent pattern of inter-elite integration. If not immediately successful, however, the negative combination of groups may, in self-defence, become a permanent institution with a common--albeit negative body of expectations.⁵

³Ibid., pp. 287-289.

⁴Ibid.

⁵Ibid.

d) Elites with long-run negative expectations.

Elites opposed to integration at the onset of supranational activity and continuing in their opposition thereafter are irreconcilable with a unification pattern either in the short-run or the long-run. Their demand pattern not only seeks to direct the policies of their national governments away from supranationalism or federation, but it continues to block and oppose central policy after it has been active for some years. Unlike groups opposed to supranationalism in essence but reconciled to work with it if only to block its progress, élites possessing negative long-run expectations will use their influence with national authorities to bring about withdrawal from supranational bodies and block the creation of new ones.⁶

3. When an institution such as ECSC is established there are probably very few élite groups with long-run positive expectations to support it, but a considerable number which support it from short-run positive expectations. However, as time passes, more and more of those élites which supported the institution for short-run reasons come to support it for long-term reasons.

Thus Haas says that

only the convinced "European" possessed long-run positive expectations with respect to ECSC in 1950, and among the élites concerned with coal and steel there were few such persons. The crucial evolution of such expectations among the bulk of ECSC labour leaders --both Socialist and Christian-- is one of the clearest demonstrations of the role of a combined Social Welfare- Economic Democracy ideology, seeking realisation through the medium of new central institutions. These groups as well as the Socialist and left-wing segments of the Christian-Democratic parties associated with them are now in the vanguard of more integration . . . because they see in supranational rules and organs the means to establish a regulated large-scale industrial economy permitting the development of permanent worker influence over industry. Thus a "spill-over" into new economic and political sectors occurred in terms of expectations developing purely in the national contexts of the élites involved. Yet these expectations were reinforced along supranational lines not only because action was demanded of the High Authority but because continuous joint lobbying with labor leaders from other countries

⁶Ibid.

became both necessary and possible.⁷

4. The "spill-over" effect is so strong as to eliminate over a period of time the effectiveness of the negative opposition. The "spill-over" takes place despite long-term negative expectations.⁸
5. Not only does the "spill-over" eliminate the effectiveness of negative opposition, but also sector integration begets its own impetus toward extension to the entire economy even in the absence of specific group demands and their attendant ideologies. Thus, ECSC civil servants speaking for national governments have constantly found it necessary to "harmonise" their separate policies in order to make it possible for the integrated sectors to function, without necessarily implying any ideological commitment to the European idea.⁹
6. This must eventually lead to a Political Union.

Projecting the "spill-over" effect observed in the case of ECSC, an acceleration of this process under the new treaty (EEC) can safely be predicted. Even though the parliamentarian will not have the power to dismiss the ministers, it is difficult to imagine that the entire scope of economic relations, even those which went unmentioned in the treaty, will not be reflected in their debates and votes. The Assembly is bound to be a more faithful prototype of a federal parliament than the ECSC legislature. As for the Council of Ministers it is inconceivable that the liberalisation not only of trade, but of conditions governing trade can go on for long without harmonisation of general economic policies spilling over into the fields of currency and credit, investment planning and business cycle control. The actual functions then regularly carried

⁷Ibid., pp. 291-292.

⁸Ibid., pp. 293-297.

⁹Ibid., p. 297.

out by the Council will be those of a Ministry of Economics. The "spill-over" may make a political community of Europe in fact even before the end of the transition period.¹⁰

As compared with conventional international organisations, the supranational variety clearly facilitates the restructuring of expectations and attitudes far more readily. Though not federal in nature, its consequences are plainly federating in quality merely because it activates socio-economic processes in the pluralistic-industrial-democratic milieu in which it functions, but to which conventional international organisations have no access.¹¹

So much for the outline of the functionalist argument. It is necessary now to arraign against this argument certain criticisms and to consider whether or not these criticisms have any validity.

In the first place one may criticise the whole argument simply on the grounds that it is an attempt at sociological inquiry and that all such inquiry is fruitless. It seems to me, however, that such methods of inquiry can be very useful and consequently they are employed in this thesis.

Secondly, whilst one may admit that sociological inquiry is possible, it is legitimate to contend that the discussion has selected a framework which is too narrow. Obviously, Haas' argument assumes a number of things which need not necessarily apply. Is it certain, for instance, that the élites of which he speaks are as important now in France as they were three years ago, or that one can possibly discuss French economic affairs by reference solely to economic élites such as the manufacturers and trade unionists, and without references to the army? The advent to power in France of a government which is distinctly anti-federal must be

¹⁰Ibid., p. 311.

¹¹Ibid., p. 527.

borne in mind when discussing the content of the functionalist argument.

Let us now turn to an examination of the main elements of this functionalist argument as outlined by Mr. Haas.

Given an acceptance of the sociological approach, points one and two of Haas' argument are only logical. Government is clearly influenced, according to the nature of a state's institutions, by the important interest groups, or elites within the national context, and on any project such as ECSC which has both a long-run ideological importance and short-term practicable applicability, then there will be groups which are in favour for long-run reasons and others which are in favour for short-term reasons, and yet other groups opposed in like manner.

The third step of Haas' argument, which concerns itself with the "spill-over" of long-range expectations into new sectors after the establishment of an institution, is difficult to verify perhaps, but credible nonetheless.

The fourth step appears, however, in the light of recent events, to be little else than wishful thinking. It must be remembered that if Haas' "spill-over" effect is eventually to produce a Federation, it must be sufficiently strong not only to produce positive expectations in all the important elites in the economic field, but also to carry economic integration to the stage where the political superstructure is inevitably drawn into a Federal form. This means that the army, the civil service, the police of each country, must be committed, as of constitutional right and in large part, to the control of the central body.

Let us take the case of the Army as an example. Had the

"Europeans" been successful in pushing the abortive EDC treaty through the French National Assembly in 1954 it is probable that within a short time a genuine West European Federation would have come into being, since it was intended to create not only a European Army but also a directly elected parliament, an Executive Council, and a common foreign policy.¹² The attempt failed, however, and the national armies remained under the control of the national governments. Since then De Gaulle has returned to power in France and his plans for a Confederation of European states clearly envisage a pooling of national armies rather than the creation of a distinctly European army.¹³ The matter does not, of course, end there. K. Knorr points out that a country's ability to wage war depends on two things: its immediate military strength, measured in terms of Army divisions, ships and so on, and immediate supplies; and its war potential, measured in terms of the industrial power to produce armaments from internal sources of steel and power, and all the other requirements of war.¹⁴ One can be perfectly sure that this aspect of military strength has not escaped De Gaulle or any other French minister since Colbert. Consequently the desire to maintain national armed forces must necessarily imply the desire to control an overwhelmingly large share of industrial production in the event of war. Conversely, this must lead one

¹² Political and Economic Planning, European Organisations (London : Political and Economic Planning, 1959).

¹³ See NYT Magazine, Nov. 15, 1959, pp. 4 and 108.

¹⁴ See Klaus E. Knorr, The War Potential of Nations (Princeton : Princeton University Press, 1956), passim.

to the conclusion that provided a substantial part of the war potential can be removed to areas outside the state's control, i.e., to another part of the Community, then eventually the state's ability to make its army function will be dependent on the support of the Community Authority. If this situation came about then there is every reason to suppose that, by reason of this sanction, the Community Authority would become a Federal Authority. If one looks at the case of the U.S.A., it is quite evident that Nebraska would be quite unable to wage war against, say, the Soviet Union, even if Nebraska possessed its own army, because it produces neither the steel, the chemicals, the automobiles nor the consumer goods which are necessary to the waging of war. The American economy being largely complementary, with automobiles produced largely in Detroit, aircraft in the Pacific States, textiles in New England and the South, and so on, there is no question of any authority being capable of waging war other than the Federal Government. In Europe, however, at the moment matters are very different. Whilst it is certain that there are some differences in the structures of the economies of France, Germany and Italy, it is also certain that to a large extent they are very similar.¹⁵ Admittedly France possesses an aircraft industry which Germany does not, but this again is no good reason in favour of assuming the inevitability of integration, since it is France that is opposed to it.

The only possibility of spreading the war potential over the European economy as a whole would seem to lie in structural changes taking

¹⁵ See below, Appendix M.

place within Europe, as a result of the elimination of inefficient industries owing to increased competition within the area, or as a result of military potential requiring some new industry whose operations are on such a large scale that they can only be established in one of the participating countries and which country, in present circumstances, must not be France.

With regard to the first of these possibilities, there has been little in recent experience to suggest that much of a structural change is in process as a result of increased competition between members, and certainly not such as to eliminate the industrial basis of any of the countries' war potential.¹⁶ Given the importance of the member governments in EEC decision-making¹⁷ and the large share of government investment out of total investment in the countries of the community,¹⁸ then there is no good reason to suppose that this will ever happen.

As far as the second possibility is concerned, that of the development of some new highly expensive defence industry, this is happening to some extent with regard to nuclear weapons development, but again

¹⁶ There undoubtedly is some change going on in the industrial structures of the Common Market countries, but if one remembers the similarity of industrial structure of Italy, France and Germany, in particular (see below, Appendix M for Table on Structure of Industrial Production 1955) and also the fact that the French Army is at present operating at full strength in Algeria, and must make most of its purchases in France because weapons and equipment are not yet standardised in Western Europe, then it is certain that no very radical changes can be taking place.

¹⁷ European Economic Community, Treaty, Part V, "The Institutions of the Community."

¹⁸ W. C. Baum, The French Economy and The State (Princeton: Princeton University Press, 1958), p. 34. According to Baum's source (Ministère des Finances, Sixième Rapport de la Commission des Investissements, Paris, 1953, pp. 80 and 81) of new investment funds invested in France between 1947 and 1953, some 50 - 60% were from public expenditure.

this is happening in France, which is opposed to integration. It seems highly unlikely that man will develop any more-expensive weapons of destruction than the present Atomic and H-Bombs, since it is already possible to more or less obliterate ourselves, and the only problem now is how to accommodate this with other budgetary expenditures--in consequence of which, destruction is becoming cheaper.¹⁹ Hence, any new developments in this field would hardly be calculated to aid the cause of integration by means of the establishment of large scale industries for defence production outside France, and to which France must have access.

One must come to the conclusion, therefore, that the only possibility for achieving a federation in which Defence must be unified, lies in a change of heart on the part of the French government and as yet there is no sign of this. Until Defence is unified not only will a political unification be prevented but also full economic integration cannot be achieved. As James E. Meade so pertinently remarks in his study The Problems of Economic Union,

an economic union strictly applied would remove all possibilities of protection on grounds of national security. In the real world a full economic union between an important group of states will never be attained unless some solution is found for this problem, and the only satisfactory solution is that the states which are members of the economic union should at the same time form some union for military defence. There must be some competent political authority to decide when, to what extent, and in what ways the rules of the economic union can be broken on legitimate security grounds. The logical conclusion from . . . this analysis is, I fear, inescapable, even if somewhat distasteful. In commercial policies which affect particular markets and industries, whether this be by means of direct methods of fiscal policy, the union authorities will have to concern themselves very deeply with what are often considered to

¹⁹The Edmonton Journal, Jan. 12, 1961, p. 5.

be purely domestic issues both of economic welfare and of national defense. Otherwise the objective of a large integrated market risks frustration.²⁰

Now whilst it is possible to contend that Haas' "spill-over" effect might go so far as to integrate trade regulation²¹ and even to harmonise welfare measures,²² there is nothing at all to suggest that Defence is in any way likely to be affected, and on that score alone full integration of the economy cannot be achieved. If national investment and fiscal policies were almost completely co-ordinated in all phases of their activity, then defence production might be unified, but the Rome Treaty makes only the most peripheral provisions for investment and fiscal policy co-ordination.²³

What, however, of Haas' contention that sector integration "begets its own impetus toward extension to the entire economy and that ECSC civil servants speaking for national governments have constantly found it necessary to harmonise their separate policies in order to make it possible for the integrated sectors to function?"²⁴ This is very probably so, of course, but it still does not surmount or by-pass the difficulties of the "spill-over", since harmonisation with the aid of civil servants can only occur once the "spill-over" has created an integrated sector wherein to establish these civil servants. If the

²⁰ James E. Meade, The Problems of Economic Union (Chicago : Chicago University Press, 1953), p. 27.

²¹ EEC, Treaty, Part III, and Part II, Titles I and IV.

²² Ibid., Part II, Title III, and Part III, Title III.

²³ Ibid., Part III, Title I, Chapter 2, and Part III, Title IV.

²⁴ See above, p. 37.

"spill-over" cannot extend integration to the entire economy, and in the absence of a unified defence policy it cannot, then the process of harmonisation cannot extend integration to the administrative superstructure.

In point of fact one must conclude that integration occurs only when deliberate political steps are made towards it or when a country is in the throes of political chaos, as was France in the last years of the Fourth Republic. The record of European integration has not been one of a movement gathering momentum, but of a number of quite deliberate attempts for clear political reasons to force through measures aimed eventually at a United Europe--some of these measures succeeded, of course, but others were rejected.²⁵ Until Europeans in their various national environments deliberately vote a unified Europe (i. e., with a unified defence structure and administration) into being, there is little likelihood of it ever coming into existence. That is not to say that the business of economic integration is entirely without point, since in time it may create a climate of opinion throughout Europe which is prepared to vote the necessary European institutions into existence, but this direct political action is essential and integration will not come simply by a happy spread from economic sector to economic sector, and from the integrated economy to the administration and other state organs.

At the present time the negative forces are clearly far too strong to permit the formation of a Federal Europe, since the purely functionalist argument is wishful thinking and direct political action is blocked by

²⁵See Political and Economic Planning, European Organisations, pp. 11-15 in particular. See also Alexander Werth, France 1940-1955 (London : Robert Hale, 1956).

the French nationalists at present represented by the government of General de Gaulle. Consequently, what one can expect to see established in Europe in the near future is some kind of Confederation, since this is the plan of De Gaulle and is acceptable as a minimum programme to the "Europeans."

If Britain joins Europe in the kind of scheme outlined in the previous section of this Chapter then one can expect to see the negative forces reinforced--and not only by Britain herself but also by the other members of EFTA. In that circumstance it is quite likely that a Federation never will be achieved in Western Europe.

CHAPTER VI

THE PLACE OF WESTERN EUROPE IN THE INTERNATIONAL SOCIETY

Having now discussed the nature of the foreign policies of the West European states, how these policies inter-relate on questions of European organisation, the pressures which are likely to influence policy with regard to this internal European organisation, and the likely outcome of all this, one is now in a position to indulge in some discussion of the place of a United Europe in the world community, as this is dictated by the policies of the West European states and by the pressures upon them. One becomes involved at this juncture, therefore, in a reconsideration of the attitudes of De Gaulle, Adenauer and others toward the establishment of Western Europe as a "Third Force", in a consideration as to whether or not Western Europe is physically capable of becoming a major world power centre, and in a discussion of the pressures, from the Communist powers and within NATO, which have an influence in this matter.

First of all, then, the policies. To begin with, there is no doubt whatsoever that De Gaulle would like eventually to establish Western

Europe, centered on France, as a major power centre, on completely equal terms with Americans, Chinese, Soviets and whatever other group might arise. Let us recall some of the significant phrases. De Gaulle intends, he says,

to persuade the states along the Rhine, the Alps and the Pyrenees to form a political, economic and strategic bloc;¹ to establish this organisation as one of the three world powers;² to create some form of association with the peoples all over the world to whom France and Britain have opened the doors of civilisation; to make this association into an organisation of nations which will be something more than an avenue of disputes between America and Russia;³ to build up Europe into the greatest political, military, and cultural power that has ever existed;⁴ to guarantee France primacy in Western Europe; to co-operate with East and West and to contract the necessary alliances on one side or the other without ever accepting any kind of dependency.⁵

Quite clearly this all adds up to a picture of Western Europe as eventually a power bloc able to act on completely equal terms with any other power. In other words, if De Gaulle has his way, a West European "Third Force" will emerge. This does not, of course, rule out the possibility of association with either the Americans on the one hand, or the Soviets on the other, and indeed De Gaulle points out the necessity for positive association with both of these powers. Thus, with regard to the U.S.A., he says, "We shall help this assembled Europe⁶ and its daughter

¹General de Gaulle, War Memoires, Vol. 3, Salvation (London : Weidenfeld and Nicolson, 1960), p. 178.

²Ibid.

³Ibid.

⁴Ambassade de France, Service de Presse et D'Information Address by General de Gaulle broadcast over French Radio and Television Networks, French Affairs No. 110, Dec. 31, 1960.

⁵General de Gaulle, War Memoires, Vol. 3, Salvation, p. 178.

⁶That Europe which is to be the strongest power that has ever existed. See Ambassade de France, Address by General De Gaulle.

America, to reorganise their alliance . . . and to act together in all parts of the earth.⁷ Subsequently, when discussing Western Europe's future relationship with the Soviet Union, De Gaulle says that "Europe can find equilibrium and peace only by an association between Germans, Gauls, Latins and Slavs."⁸

The final Gaullist edifice which emerges to view, therefore, is of Western Europe based on France, acting as a kind of pivot around which the Slavs, the Americans, and all those countries to whom the West Europeans have opened the doors of Western Civilisation are to be arraigned in harmonious association. In other words, with the rise of a great and powerful Western European Community, the United States, the Soviet Union and its satellites, and the countries of the Commonwealth, the Community, Latin America and so on, are all to be drawn into a great international community. This leaves out China, of course, and discounts the present Communist-Democratic ideological conflict, but these two factors seem to be inter-related in De Gaulle's thinking, making his scheme seem possible to him. At the present rate of population growth it may soon take pretty well all the rest of the world to balance China,⁹

⁷Ibid.

⁸General de Gaulle, War Memoires, Vol. 3, Salvation, p. 51. Note that the order of the nationalities discussed has been changed by the author simply to give the sentence a more relevant emphasis in this context from the point of view of English construction, without in any way altering De Gaulle's meaning.

⁹See The Edmonton Journal, Feb. 21, 1961, p. 7, in which it is estimated that by the end of the century, at the present rates of population growth, there should be some 1,500,000,000 Chinese on the face of this earth, out of a total world population of some 4 - 5 billion. See also NYT International Trade Review, Jan. 10, 1961.

and the very fact of this Chinese growth, requiring expansion to the north before very long, should persuade the Soviet Union of the fact that its continuance of the Communist Moscow - Peking axis can only prove detrimental to Russian interests in the long run.¹⁰

The thinking of Konrad Adenauer about social organisation, and hence upon European organisation and the place of a United Europe in the world, starts from somewhat different premises than that of De Gaulle. Adenauer is concerned, first and foremost, to preserve the democratic German state (whether this is because of a belief in Democratic and Christian principles for their own sake or because he believes this to be in Germany's best long-range interest is irrelevant).¹¹ The preservation of this state is to be accomplished by its union first with other European democratic powers in a European federation,¹² and secondly by the closest association of the new European power in an Atlantic grouping.¹³ The essential division lies between the Democratic, Christian West, and the Totalitarian, Communist East, and the aim must be to so strengthen the West by extending its influence in Asia, Africa and Latin America, and to so undermine the East (by peaceful means), that eventually the ideological conflict will result in a Western victory.¹⁴

The British attitude toward this is biased toward the most

¹⁰See below, p. 110.

¹¹See above, chap. II, Part II.

¹²Ibid.

¹³Ibid.

¹⁴Ibid.

"Atlantic" approach possible, but differs in two important respects from that of Adenauer.¹⁵ In the first place there is no intention on the part of the British government to see the country absorbed into an Atlantic Union of the Federal type and hence the British government is exceedingly concerned to keep its own nuclear deterrent,¹⁶ a factor of considerable importance for Europe as a whole.¹⁷ In the second place the British attitude toward Communism and the East-West ideological rivalry is far closer to that of De Gaulle than to that of Adenauer.¹⁸ The British preference lay with a loose association of Atlantic, European and Commonwealth countries, but with the emergence of a United Europe these ideas have had to be altered somewhat. If Britain goes into Europe, and, as it has been pointed out above, it is more than likely that she will do so, then she must choose between the Gaullist and the Adenauer approach, or at least press for some compromise of these two. However, although the Gaullist price of British participation in European affairs must be a commitment by Britain to recognise Europe as her first interest,¹⁹ De Gaulle is clearly intent on preserving close association with the United States even in the event of a European "Third Force" being set up.²⁰ Consequently, since the British are in agreement with De Gaulle on the necessity

¹⁵See above, chap. II, Part III.

¹⁶Ibid.

¹⁷See below, pp. 104-108.

¹⁸Note Mr. Macmillan's pressure for Summit Conferences and, also, British recognition of Communist China.

¹⁹See above, chap. II, Part I.

²⁰Ibid.

for maintaining Western Europe as a Confederation and not turning it into a Federal Union,²¹ there is every likelihood that pressure from the British government on this issue would be thrown on the Gaullist side.

One has, therefore, two fairly clear-cut possibilities: either a Western Europe which may be allied with the U.S.A. in an essentially military Atlantic Alliance,²² but which may also be associated, in time, with the Soviet Union as well; or a Western Europe which is part of an Atlantic Community and clearly divided on ideological grounds from the Communist bloc. In both of these circumstances, it must be admitted, a strong cultural, political, economic, and even military, association is likely to be maintained by Europe with the U.S.A., but in the second approach it would, presumably, by formalised and possibly, over a space of time, deepened.

Which, then, of these two possibilities is likely to reach fruition? To answer this question one must decide whether, in the first place, Western Europe possesses the physical capacity for the role of a Great Power, for whilst Adenauer's scheme could be put into operation even if this circumstance were not fulfilled, it is certain that De Gaulle's could not.

What, therefore, does one mean these days by a Major World Power? Essentially that any country aspiring to this position should be a major nuclear power. This in turn implies the ability to maintain such nuclear forces. In a series of excellent articles in the New York Times of January 12, 13 and 14, 1961, Hanson W. Baldwin points out that United

²¹See above, chap. III.

²²See above, chap. VI, n. 4.

States defence policy is based on two opposing defence concepts: the Air Force "counter force - pre-emptive" war concept, and the Navy-Army "finite-deterrant" theory.²³ He goes on to point out that the first of these, the "counter-force - pre-emptive" is based upon the belief that victory is possible in a nuclear war provided that the enemy's strike centres or bases can be eliminated, and provided that adequate defence measures can be taken by the home government. He says that the "finite - deterrent" theory is based upon the assumption that enough is enough for a nuclear war, that the aim of defence policy must be to make it plain to the rational foreign ruler that attempted strikes by his side can only result in the complete destruction of his own country. This second policy entails a highly mobile strike force, such as the Strategic Air Command's constant air-readiness, or a force of nuclear submarines equipped with such weapons as the Polaris. It entails, in addition, the maintenance of as effective means as possible for the limitation of irrationality on the part of foreign rulers; in other words such measures as massive foreign economic aid and the provision of both nuclear and conventional forces to fight not only full scale wars but limited wars as well. Mr. Baldwin's final point is that the U.S.A. is attempting to maintain both of these defence theories in one policy at the same time, as is indicated by the fact that target selections for strategic forces include both major cities and industrial areas, and launching sites and air fields as well.

The thing that becomes immediately apparent is that a defence

²³ NYT, January 12, 13 and 14, 1961.

policy based on only one of these theories, let alone on both of them, is exceedingly expensive as yet. If one maintains a defence policy based on the "counter force - pre-emptive" theory, then one must not only construct an attack element which is stronger than the enemy's, but one must also make provisions for defence. On the one hand there must be a continued amassing of more and more yet-more-powerful weapons of destruction, and on the other hand one must either find some way of eliminating the inward bound foreign missiles in the air, or else construct a massive system of underground shelters capable of maintaining most of the nation's population for a period of perhaps a year or so. One becomes involved therefore in a Bertrand Russell-Orwellesque world in which the instinct of self-preservation soon not only overrides almost all other values (hence making the East-West ideological conflict ridiculously outmoded), but also consumes almost the entire national budget.²⁴

If one's defence policy is based on the "finite-deterrant" theory, on the other hand, one is involved before long in the necessity of constructing not only a highly mobile deterrent (including strategic air forces, nuclear submarines, missiles and nuclear-equipped ground and sea support forces) but also a sizeable conventional army to indulge in "police actions" and possible "limited wars" as well. Although a defence policy based on this theory is potentially far less expensive than one based on the "counter force - pre-emptive" concept, it is enormously expensive nonetheless. Britain, for instance, has found it impossible to maintain

²⁴ See Bertrand Russell, Common Sense and Nuclear Warfare (London : Allen and Unwin, 1959). See also George Orwell, 1984 (New York : Harcourt Brace and Co., 1949).

a completely independent nuclear equipment and research programme. If British forces become involved in some conventional warfare such as the Algerian affair, it would be necessary for the government either to resort to extremely unpopular mass conscription, or to use its army, now consigned to backing-up the nuclear deterrent, for colonial conflicts.

As far as Western Europe as a whole is concerned, there is every likelihood that a nuclear defence policy could be maintained based on the "finite-deterrant" theory, given sufficient cohesion within Western Europe and a sufficient desire for it on the part of the political leadership. Western Europe as a whole certainly possesses the industrial power to finance an equipment and research programme and sufficient armed forces already to provide both nuclear and conventional forces. If one assumes, then, as argued above, that a Western European Confederation is likely to come into being ere long, and also that men of the same persuasions as De Gaulle and Macmillan are likely to remain in direction of French and British policy, then one can expect to see a full scale nuclear power emerge in Western Europe. It must be added, however, that the extent to which Western Europe will be able to develop as a nuclear power will depend upon the willingness of European states other than the British and French to increase their military expenditure, and to fit their national forces into a cohesive system, and also upon the availability of essential raw materials for military production purposes in the short run.

So much for the physical aspect of things. It would seem probable, therefore, that Western Europe as a whole does possess the capacity to become a major world power. As to whether or not its place in the

world develops along the lines pursued by Adenauer, on the one hand, or De Gaulle on the other, depends on two things - the degree of integration which is now present or which can shortly be developed in NATO, and in the possibilities of associating the Soviet Union with a West European power grouping.

Firstly, how "integrated" is NATO? To what extent has a true Atlantic Community developed? To some extent this depends on one's definition of integration, of course, but supposing one establishes a line of distinction between the "well-integrated" area, and the "unintegrated" area. In the former case, social groups, interests and pressures will have so coagulated that the area must be considered for all practical purposes as one unit, and in the latter case, these same social groups will have so formed, at a given time, that there are for practical purposes several political units operating within the area. Some six or seven years ago it might have been possible to place NATO in the former category, with a little stretch of the imagination perhaps, but is there any doubt that in 1960 NATO falls into the latter? Deutsch, in his study, Political Community and the North Atlantic Area, concludes that as yet the North Atlantic is not a political community according to his terminology because the methods and practice of communication, and the essential identity of interest between the necessary relevant groups are not sufficiently developed.²⁵ If one applies Haas' functional approach to the North Atlantic area, there seems to be little of the necessary alliance

²⁵Karl W. Deutsch and Others, A Political Community and the North Atlantic Area (Princeton: Princeton University Press, 1957).

of élites in favour of increased integration.²⁶ If one leaves aside the sociological approach one may point out that the ability of national governments to direct their own military forces remains as yet exceedingly strong.²⁷ In addition, if one returns to the enormously important field of tariff policy it can be seen that there is little hope of even providing a Common Market or Free Trade Zone for the North Atlantic. Admittedly some Canadian personality occasionally demands a North Atlantic Common Market and probably this would please the Germans, Italians, Benelux and even Britain and the other members of EFTA.²⁸ On the other hand, however, the formation of a Common Market in which some of the members still retained tariffs would be completely unacceptable to the others,²⁹ and not only is it highly unlikely that the U.S.A. Congress³⁰ and the Canadian Conservative government³¹ would be willing

²⁶ E. B. Haas, The Uniting of Europe (Stanford : Stanford University Press, 1958). See also above, chap. V.

²⁷ Note, in particular, De Gaulle's removal of the French Mediterranean Fleet from NATO command, and his removal of American air bases from France. See Keesing's Contemporary Archives (1959-60), p. 16961.

²⁸ Canada, House of Commons Debates, V (1959), 5180. See the speech by L. Pearson.

²⁹ This might not apply where the smaller and weaker economies were concerned but there is obviously no question of the U.S.A. (for example) dismantling its tariffs against other North Atlantic producers if Britain or France or Germany refused to do likewise.

³⁰ Note the comment in The Financial Post (Toronto) Feb. 25, 1961, on U.S.A. attitudes toward OECD which does not necessarily imply any measures toward freer trade.

³¹ Canada, House of Commons Debates, V (1959), 5184-5186. See the speech by Mr. Broome for a good statement of the protectionist argument.

to remove all their tariff protections, but it is quite certain that the government of General de Gaulle has not the least intention whatsoever of removing tariffs in order to establish a North Atlantic Common Market. It is certain that De Gaulle regards the Common external tariff of the European Economic Community not only as a means for the restrictions of external economic competition, but also as a political device for binding together the members of EEC.³² Hence there can be no question of broadening the association to include North American members since one of the aims of the tariff is to build up the European Political Community so that it may take its place as an equal alongside the United States.³³

One must conclude, therefore, as far as NATO is concerned, that it is not sufficiently strong in its interrelationships either to prevent the rise of a distinct European political entity, or to enforce the acceptance of a formalised North Atlantic Community within the near future. It is therefore probable that NATO will become more and more an alliance between two great powers, with albeit considerable economic and cultural exchanges between the two, rather than a single political entity. This would accord reasonably well with the desires of the British and Germans as well as the French, even though it might not entirely fulfill Adenauer's most cherished preferences.

As to whether or not De Gaulle's plans for an association with the Soviet Union come about, depends on one thing. He is, himself, explicit on this matter when he says that

³²See above, chaps. II, III and IV.

³³See above, chap. II, Part I.

"no doubt Soviet Russia, in spite of having aided Communism to take root in China, recognises the fact that she is Russia, a white nation of Europe which has conquered part of Asia and is in sum, richly endowed with land, mines, factories and wealth, face to face with the yellow masses of China, numberless and impoverished, indestructible and ambitious, building through trial and hardship a power which cannot be measured and casting her eyes about her on the open spaces over which she must one day spread."³⁴

One may not, of course, agree with De Gaulle's attitude toward Sino-Soviet relations, but his assessment that a West European - Soviet rapprochement is likely to come as a result of a split between the two great Communist powers is reasonable enough; whether this comes from conflicts over territory or from disputes about attitudes to take towards the "Imperialists," and so on, is not particularly important. As to whether or not such a split will come is as yet a matter of conjecture, however, with opinions being voiced both for and against.³⁵ One can only say that if it does then De Gaulle's scheme might well be realised in full, although he might have overstressed the importance of Western Europe playing a pivotal role in world organisation since the U.S.S.R. is likely to attach at least equal importance to the attainment of a rapprochement with the U.S.A. as with Western Europe.

³⁴"Text of De Gaulle's news conference," NYT, Nov. 11, 1959, p. 10.

³⁵See Report on Communist "Summit Conference," NYT, Feb. 12, 1961. See also Edward Crankshaw in The Edmonton Journal, Feb. 17, 1961, p. 4. See also Professor V. Dedizer, The Times, Jan. 6, 1961.

CHAPTER VII

CONCLUSION

One comes to the conclusion that, provided nothing catastrophic occurs, such as a Third World War or a major upheaval in East Germany involving West Germany, and provided that sooner or later some solution can be found to the Algerian problem, then at least part of Western Europe will continue to move toward "Unity."

This "Unity" may be the expression of one of two ideas about European organisation. Dr. Adenauer and his associates, on the one hand, would like to see a Federal United States of Europe established. General de Gaulle, on the other hand, would prefer to see a Confederation linking together the historic national states. At the present time there is not sufficient backing in the politically important places in France to make a Federal Union possible by direct political action. There likewise appears to be little possibility of a Federal Union being achieved by the consolidation of group pressures in its favour. Consequently, the most likely form of European "Unity" at the present time is a Confederation on the Gaullist pattern. It is, however, possible that such a Confederation might turn into a Federation over a period of time and after the retirement of General de Gaulle from office.

This Confederation of European States will continue to be based on the European Economic Community, with its internal trade regulation and common external tariff structure. It may, in addition, have a superstructure of institutionalised political consultation at the government level.

Whether or not Britain will join this grouping depends on the willingness of the EEC group to provide certain special provisions, whereby entry into European markets can be maintained for Commonwealth producers. Since Belgium, Germany, Italy, Luxemburg and the Netherlands appear to be willing to accept such an arrangement, then in the last analysis, British entry into the European grouping depends on French willingness to agree to such an idea. There are some indications that De Gaulle may be prepared to agree to this when the time is ripe, that is to say, when France has established her new position in Europe and with regard to North Africa and the French Community, and when French manufacturing interests have grown sufficiently strong to feel sure of competing on at least equal terms in West European Markets.

The best guess is, therefore, that Britain will eventually become part of the West European Confederation by membership in an EEC type of agreement (but which provides some system for Commonwealth entry to European markets and probably some independence of action for Britain in certain other spheres). Since British entry into such an association would necessitate the accommodation of the interests of partners in EFTA then the most likely eventuality is a Confederation of all Western Europe.

If the EEC group will not permit British entry on these special terms, then it is difficult to see what Britain could do except to remain as she is now, a part of the EFTA and Commonwealth trading systems, but outside Europe.

If this Confederation of all Western Europe is formed, continuing to be associated with the British Commonwealth and the French Community, then it will probably establish itself as a major power on equal terms with the U.S.A., and the U.S.S.R. It must remain a part of the Atlantic Alliance until such time as the Soviet Union finds it possible to live in a state of entente with the Western World.

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APPENDIX A

THE COUNCIL OF MINISTERS OF EEC: NATIONAL VOTING STRENGTHS

In the Council of Ministers of EEC, where certain matters may be decided by a qualified majority, the votes are distributed as follows:

Belgium	2
France	4
Germany	4
Italy	4
Luxemburg	1
Netherlands	2

Hence Germany, even if she were backed up by Italy, must still submit, on points specified by the Treaty, to a majority vote dominated by countries with which she had previously been at war.

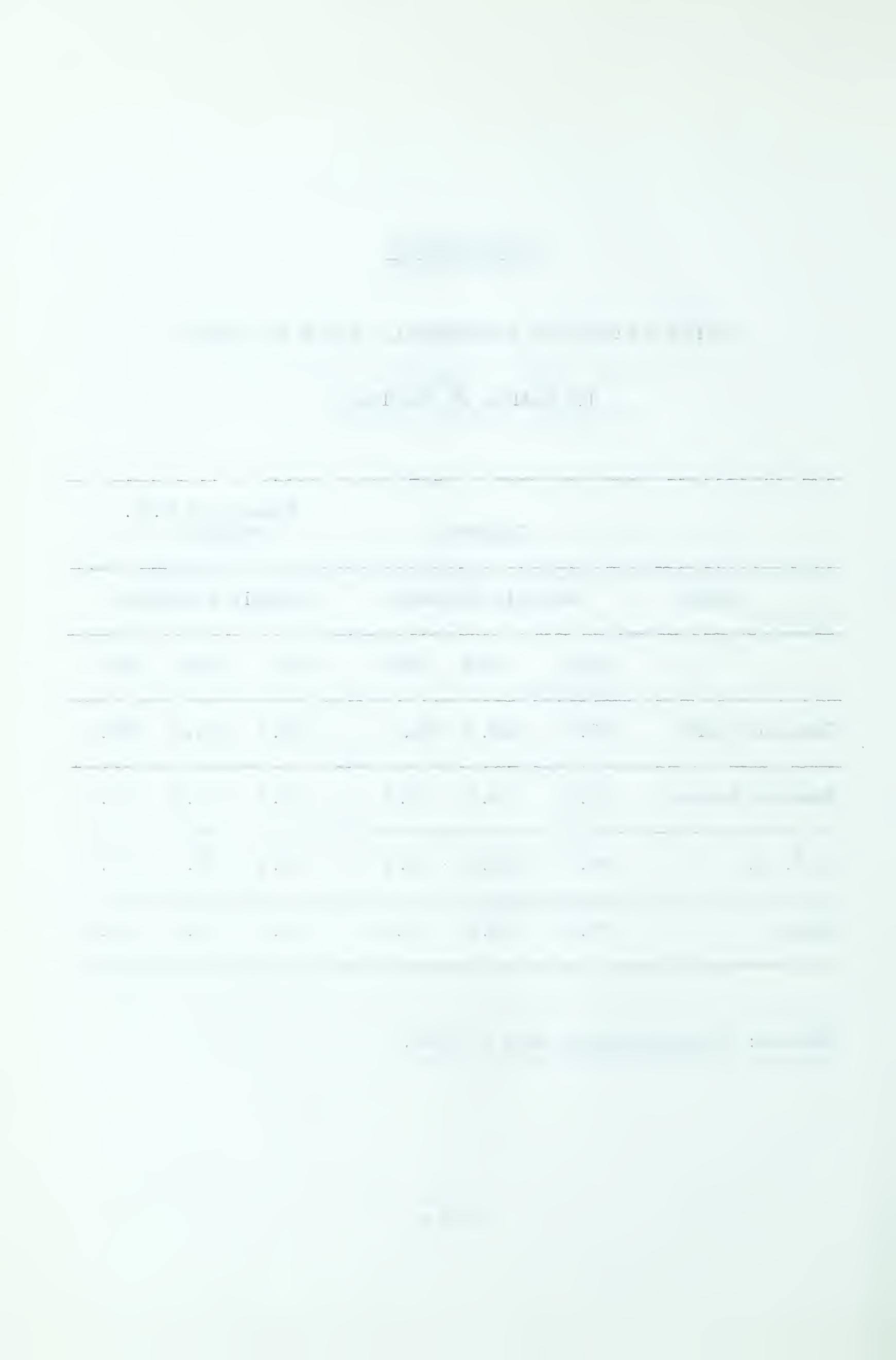
APPENDIX B

UNITED KINGDOM EXTERNAL TRADE BY AREA¹

(In Million £ Sterling)

AREA	Imports			Exports of U.K. Produce		
	1957	1958	1959	1957	1958	1959
Commonwealth	152.7	138.5	146.4	136.1	131.8	129.0
Western Europe	74.0	74.9	79.3	66.5	61.3	67.3
U. S. A.	40.1	29.2	30.9	20.3	22.6	30.0
Other	70.0	70.0	75.0	51.5	48.8	50.9

¹Source: The Economist, May 7, 1960.



APPENDIX C

VOTING ON EDC IN THE FRENCH NATIONAL ASSEMBLY¹

Party	Total	Yes	No	Ab.
Gaullist	121	16	83	2
Independent	91	45	22	?
Radical	91	41	44	3
MRP	85	80	2	4
SFIO	107	50	53	1
Communist	103	--	99	--
Others	28	32	16	1
Total	626	264	319	12

Note The total for each party refers to party strength after the preceding election and not at the time of the vote. Abstentions refer to those who officially abstained. There were others who were physically absent. Consequently the totals do not add up.

¹Source: E. B. Haas, The Uniting of Europe (Stanford : Stanford U. P. 1958), p. 156.

APPENDIX D

VOTING ON ECSC AND EURATOM IN THE FRENCH NATIONAL ASSEMBLY¹

Parties	ECSC				Euratom			
	Total	Yes	No	Ab.	Total	Yes	No	Ab.
Gaullists	121	2	116	--	22	19	3	--
Ind. & Peasants	91	73	20	--	95	73	2	20
Radicals	91	85	1	5	91	64	27	--
MRP	85	87	--	--	73	73	--	--
SFIO	107	105	--	1	95	95	--	--
Communists	103	--	101	--	150	--	148	--
Others	28	21	2	5	70	8	1	61
Total	626	376	240	11	596	332	181	81

Note See Appendix C concerning voting figures.

¹Source: E. B. Haas, The Uniting of Europe (Stanford : Stanford U. P., 1958), p. 156.

APPENDIX E

PARTY REPRESENTATION IN THE NATIONAL ASSEMBLY OF THE FIFTH FRENCH REPUBLIC (LOWER HOUSE) AFTER THE 1958 ELECTION¹

Union pour la Nouvelle Republique (UNR)	189
Independents	132
Mouvement Republicain Populaire (MRP)	57
Socialists (SFIO)	40
Centre Gauche	22
Radicals	13
Communists	10
Others	13
 Total	 476

¹Source: Keesing's Contemporary Archives (1959-60), p. 16568.

APPENDIX F

THE RELATIVE STRENGTHS OF THE NATO AND WARSAW PACT FORCES¹

<u>Soviet Forces</u>	2,350,000 men
	175 Divisions of the Red Army
	60 Satellite Divisions
<u>NATO Forces under SHAPE</u>	
U. K.	3 Divisions
U. S. A.	5 Divisions
France	2 Divisions
Germany	7 Divisions
The Rest	30-1/3 Divisions
<u>France: Total Armed Forces</u>	1,000,000 men
<u>Germany: Total by 1963</u>	350,000 men
<u>United Kingdom: Total Armed Forces</u>	614,200 men

¹Source: "The Military Strength of the USSR and NATO Powers," Political Quarterly, XXXI, (January-March, 1960), 71-88.

APPENDIX G

THE DIRECTION OF THE GERMAN FEDERAL REPUBLIC'S FOREIGN TRADE¹

(Value in Millions U. S. Dollars)

Countries	IMPORTS		EXPORTS	
	1953	1957	1953	1957
Trade with Communist Bloc (excluding Yugoslavia)	92.9	260.7	66.2	252.4
Trade with Western Europe (excluding Yugoslavia and Turkey)	1808.1	3270.5	2714.0	5139.5
Trade with U.S.	394.5	1342.9	297.5	598.3
Trade with Others	1814.0	2675.0	1344.0	2588.2
TOTAL	3809.5	7549.1	4421.7	8578.4

Note: More recent figures were not available at the time of writing.

¹Source: The United Nations Yearbook of International Trade Statistics, I (1957), 243.

APPENDIX H

UNITED KINGDOM EXTERNAL TRADE BY AREA AND COMMENT THEREON¹

(In Million £ Sterling)

Area	Imports Monthly Averages			Exports of U.K. Produce Monthly Averages		
	1957	1958	1959	1957	1958	1959
Canada	26.7	25.7	26.0	16.3	15.7	17.3
Sterling Area	126.0	112.8	120.4	119.8	116.1	111.7
Total Commonwealth	152.7	138.5	146.4	136.1	131.8	129.0
EEC	40.9	44.4	46.6	38.2	34.8	38.5
EFTA	33.1	30.5	32.7	28.3	26.5	28.8
Total Western Europe	74.0	74.9	79.3	66.5	61.3	67.3
U.S.A.	40.1	29.2	30.9	20.3	22.6	30.0
Latin America	28.8	24.6	26.8	13.7	12.6	12.9
Soviet	9.1	8.5	9.7	4.7	3.8	5.1
Other	32.1	36.5	39.4	33.1	32.4	32.9

If one remembers, then, that Imperial Preference has only a marginal effect on trade, then it can be seen that exclusion from Continental Markets would, in the long-run, be far too high a price to pay for the continuance of the Preference System. The exact percentage of trade affected by the existence of the Preference is, of course, impossible to estimate but at the very outside it could hardly be more than 20%. The Economist Intelligence Unit points out that in 1956 less than 55% of total U.K. exports to the Commonwealth went to countries giving preferences over a wide range of goods, that only about 50% of all U.K. exports to the Commonwealth receive Preference, and that the U.K.'s share of Commonwealth trade is somewhat larger than it might be on only about one quarter to

¹Source: The Economist, May 7, 1960.

APPENDIX H - Continued.

one half of U.K. exports to the Commonwealth. Since the Preference margin is likewise generally fairly low, then it is hard to see how the Preference could cause more than a 20% difference in U.K. exports to the Commonwealth.²

The suggestion that Britain is being asked to choose between Western Europe and the Commonwealth is political and economic nonsense since there is nothing in the nature of the Commonwealth to prevent an association with Europe, and no suggestion whatever that an economic agreement with Europe must mean the end to trading with the Commonwealth. Failure to conclude an agreement with Europe could, on the other hand, seriously damage exports to the Continent.

²Source: Economist Intelligence Unit, The Commonwealth and Europe, (London : The Economist Intelligence Unit, 1960), pp. 10-20.

APPENDIX I

THE ECONOMIST INTELLIGENCE UNIT'S SCHEME FOR COMMONWEALTH TRADE SHOULD THE SIX AND THE SEVEN MERGE¹

Sector of Trade and Type of Arrangement	European Imports from Commonwealth 1956	Share of Total
	£ Million	%
1. Tariff Free Raw Materials Zero Tariff Already U.K. & Continent (12)*	962	39.1
2. Tariff- quota Raw Materials Tariff free quotas to U.K. up to full needs (U.K.) EEC imports to tariff-free of tariff-reduced quotas (EEC)	120 24	4.9 1
3. Oilseeds and Sisal probable elimination of Tariffs (12)	110	4.5
4. Other Raw Materials Tariff-free or tariff-quota materials (12)	62	2.5

* 12 = 6 + 7 - Portugal

¹Source: The Economist Intelligence Unit, The Commonwealth and Europe (London : Economist Intelligence Unit, 1960), p. 470.

APPENDIX I - Continued.

Sector of Trade and Type of Arrangement	European Imports from Commonwealth 1956	Share of Total
	£ Million	%
5. Tropical Foodstuffs (Excluding Oilseeds)		
Preferential Entry into U.K. should continue		
(U.K.)	225	9.1
Preferential Entry into EEC		
(EEC) #	.67	2.7
(other 5)	11	0.4
6. Temperate Foodstuffs		
Right of free entry for Commonwealth imports and some tariff concessions to continental producers, by U.K. after the transition period of liberal harmonised European agricultural system with guaranteed entry for Commonwealth producers.		
(U.K.)	548	22.2
(EEC and other 5)	127	5.2
7. Canadian manufactures		
Low common European tariffs for products important to Canada. Tariff free quotas for U.K. imports of Canadian newsprint.		
(U.K.)	44	1.8
(EEC and other 5)	14	0.6
8. Other Manufactures (mainly Asian)		
Low common European tariffs for products important to Asian Commonwealth. Tariff free quota for U.K. imports of Commonwealth grey cloth.		
(U.K.)	62	2.5
(EEC and other 5)	16	0.6
9. Other (Miscellaneous & Fuels) (12)	71	2.9
TOTAL TWELVE IMPORTS	2,463	100.0

#Slight change from Economist Intelligence Unit's scheme.

APPENDIX J

SOME PRODUCER PRICES FOR AGRICULTURE IN WESTERN EUROPE¹

	Wheat £/ton	Barley £/ton	Milk *d/gallon	Beef £/live cwt+	Pigment £/live cwt+
W. Germany	36.8	37.0	32.3	8.4	10.5
France	25.2	21.0	28.0	7.3	9.0
Italy	36.7	25.6	30.0	9.45	10.1
Belgium	33.8	28.8	29.0	7.4	8.15
Luxemburg	41.5	----	36.8	8.8	11.0
Netherlands	27.9	25.1	30.0	8.45	8.65
U.K.	28.1	29.0	36.7	7.85	9.75

* d = pence, 240 d = 1 £

+ cwt = hundredweight, 1 cwt = 112 lbs.

¹Source: The Six and The Seven, a Financial Times (London) Survey, p. 38.

APPENDIX K

TRADE OF EFTA COUNTRIES BY AREA (EXCLUDING UNITED KINGDOM FIGURES)¹

(Monthly Averages for 1959 in Thousands of U. S. Dollars)

Imports to Selected Countries

<u>Imports into</u>	<u>from EEC</u>	<u>from EFTA</u>
Austria	54,476	11,140
Sweden	82,571	48,854
Switzerland	96,013	20,296
Denmark	50,295	50,282
Norway	38,446	39,691
Portugal	15,404	8,163

Exports from Selected Countries

<u>Exports from</u>	<u>to EEC</u>	<u>to EFTA</u>
Austria	39,444	9,327
Sweden	56,876	61,884
Switzerland	55,963	21,498
Denmark	34,863	46,443
Norway	26,212	17,545
Portugal	4,200	5,492

¹Source: EFTA Bulletin, I, No. 1, October, 1960, 14.

APPENDIX L

FRENCH FOREIGN TRADE FOR 1959 AND 1960¹

(In Thousands of New Francs)

Imports	1959	1960
From foreigners	16,966,691	21,644,497
From the Franc Zone	5,490,802	6,330,975
TOTAL	22,487,293	27,975,472
Exports		
To foreigners	16,914,073	21,660,214
To Franc Zone	7,928,619	9,215,559
TOTAL	24,842,692	30,875,773
Gain or Deficit on Foreign Trade	-82,618	+15,717

¹Source: Le Monde, December 26 - January 4, 1960, p. 6.

APPENDIX M

ORIGIN OF GROSS NATIONAL PRODUCT AND STRUCTURE OF INDUSTRIAL PRODUCTION IN SELECTED EEC COUNTRIES, 1955 TO 1956¹

(Origin of Gross National Product, 1955 to 1956)

Country	Agriculture	Industry Including Construction	Services	Total
Germany (F. R.)	9	51	40	100
France	15	47	44	100
Italy	22	42	36	100

Structure of Industrial Production, 1955

	Germany	France	Italy
Extractive Industries	6.0	6.9	3.2
Manufacturing Industries	89.5	89.2	90.0
Food, beverages and tobacco	10.3	15.1	10.8
Textiles	6.2	7.5	10.3
Basic Metal	8.0	5.5	10.3
Metal Products	32.2	27.0	18.0
Chemicals	13.0	10.3	26.1
Others	19.7	23.8	14.4
Gas and electricity	4.5	3.9	6.8
Total Industrial Production (ex. building)	100.0	100.0	100.0

¹Source: European Economic Community, The Commission, Report on the Economic Situation in the Countries of the Community (September, 1958).

APPENDIX N

THE MAIN PROVISIONS OF EEC¹

The Treaty Summarised

The Treaty establishing a European Economic Community is a lengthy document, comprising 248 Articles, and appended to it are a series of annexes and protocols. The following summary is confined to an outline of the principal points, and, in particular, the sections dealing with the abolition of import duties and quotas, trade policy, economic integration and alignment of social policies.

The Common Market Time-Table

The Common Market will be established progressively over a transition period of 12 years divided into three stages each of four years. Before passing on to the second stage the Council must decide whether the objectives set down for attainment during the first stage have been achieved. The second and third stages cannot be prolonged or shortened save by unanimous decision of the Council. In any case, the period of transition may not be longer than a total of 15 years. At the end of the

¹Source: Great Britain, Central Office of Information, Moves to Free Trade in Europe, No. R - 3679, October, 1957.

APPENDIX N - Continued.

period of transition all the rules and regulations for the Common Market must come into effect.

Abolition of Customs Duties

Customs duties will be progressively eliminated in respect of trade between the Member states. Taking the duties actually applied on 1st January, 1957, as base, duties must be reduced by stages according to the following time-table:

- (a) 1 year after entry into force of the Treaty.
- (b) 2-1/2 years after entry into force of the Treaty.
- (c) 4 years after entry into force of the Treaty.
- (d) 18 months after the beginning of the second stage.
- (e) 3 years after the beginning of the second stage.
- (f) 4 years after the beginning of the second stage.

On the first occasion each duty must be reduced by 10 per cent.

On each subsequent occasion the overall incidence of the tariff must be reduced by 10 per cent, individual rates in excess of 30 per cent must be reduced by at least 10 per cent and other rates by at least 5 per cent.

The remaining reductions required to abolish tariffs altogether will be made during the third stage in accordance with a time-table to be decided by the Council. Any special difficulties of Member governments in complying with these provisions will be settled by the Council.

Export taxes on trade within the Common Market must be abolished by the end of the first stage. Revenue duties must be abolished in the same way as other import duties, but they may be replaced by

internal taxes which do not discriminate against imports.

The Common External Tariff

Apart from specific exceptions, the common external tariff will be the arithmetic mean of the tariffs of the various Members on 1st January, 1957. The common tariff may not exceed:

- (a) 3 per cent for most raw materials;
- (b) 10 per cent for most semi-manufactured goods;
- (c) 15 per cent or 25 per cent for certain chemicals. (For certain chemicals tariffs of less than 3 per cent will be considered to be tariffs of 12 per cent for the calculation of the common tariff.)

For a specified list of products the tariff will be fixed by negotiation and not by calculation. Some of these negotiations are completed but most are still to come. The common tariff will be introduced successively at the end of the three stages. 30 per cent of the difference above or below the common tariff will be removed at the end of the first stage, 30 per cent at the end of the second stage. But if the national tariff is not more than 15 per cent greater or less than the common tariff, the common tariff, will be introduced at the end of the first stage.

No change may be made in the common tariff save by unanimous decision of the Council. The Council may, however, by majority vote modify for a period of not more than six months and for not more than 20 per cent. A Member may also be authorised to suspend any part or the whole of the tariff on agricultural products.

Quantitative Restrictions

In general quantitative restrictions on imports between Members

are prohibited. There must be no intensification as between Members of existing quantitative restrictions which are to be progressively eliminated in the course of the transitional period.

A year after the Treaty comes into force all bilateral quotas are to be converted into global quotas available without discrimination to all other Members. The total value of quotas is to be increased by 20 per cent compounded annually with a minimum of 10 per cent for each individual product. For every product a minimum quota of 3 per cent of domestic production must be established a year after the Treaty's signature, to be increased to 4 per cent after two years, 5 per cent after three years, and thereafter annually by at least 15 per cent. If there is no domestic production the Commission will fix an appropriate quota. At the end of ten years all quotas must be at least equal to 20 per cent of domestic production.

Quotas representing more than 20 per cent of domestic production need not be increased by the minimum of 10 per cent annually, provided that quotas are increased by 20 per cent overall and the Council by a majority vote on the Commission's recommendation approve.

The Commission shall determine how and when restrictions equivalent to quantitative restrictions shall be removed, but the above arrangements can be altered by decision of the Council on the Commission's recommendation.

Trade Policy and Safeguards

The Treaty also regulates the methods by which trade and payments

policies of Member countries may be conducted. It makes provision in general terms for special treatment if Member countries encounter balance of payments difficulties. If a particular sector of a Member country's economy is faced with persistent difficulties during the transitional period, the Member may be authorised to introduce temporary measures to redress the position.

Export subsidies are specifically forbidden. Exemptions of exports from taxation and rebates of taxes previously paid are permissible in the case of turnover taxes, excise duties and other forms of indirect taxation. Safeguards against competitive devaluation and exchange rate manipulation as a method of export subsidies are ensured membership of all six countries of the International Monetary Fund (IMF).

A further protection against unfair competition lies in the restrictions imposed on State trading organisations and the provision that State subsidies are incompatible with the Common Market. The Treaty also provides that cartels, price-fixing arrangements and other restrictive practices are, except under certain conditions, incompatible with the functions of the Common Market, and requires that measures and procedures to deal with restrictive practices shall be worked out within three years of the Treaty coming into force.

Agriculture

Although, in principle, the rules of the Customs Union will apply equally to trade in agricultural products and foodstuffs, the Treaty in fact makes provision for controls to be applied in the case of the most important agricultural commodities; these are listed in an annex to the Treaty.

The system of agricultural protection is complicated, but the ultimate aim is the adoption of a common policy and the raising of standards of farming. The methods proposed include the establishment of marketing boards, fixing of minimum prices below which imports can be temporarily suspended, or authorised only if sold at a higher price, and assistance to the farming community. One of the functions of the European Commission is to harmonise the agricultural policies of the six countries within two years after the Treaty comes into force.

Transport

The Treaty provides for common transport policies for rail, road and waterways. Details will be formulated later, but, in effect, discriminatory charges in favour of domestic carriers against those of other Member countries would be progressively abolished, as would also concealed or open subsidies given to particular firms or industries by means of privileged transport charges.

Social Policies

It is also intended that the Member states shall advance towards alignment of social policies. The effects of changes in the pattern of industry on employment as a consequence of the introduction of the Common Market are to be mitigated by the creation of a European Social Fund to aid in the retraining and redeployment of workers. The Fund will be financed to the extent of half the expenses involved by contributions by Governments to the general budget of the Community. Equal pay for men and women for the same work is to be achieved by the end of Stage I.

Free movement of workers and the abolition of all discrimination based on nationality within the Community is to be achieved by the end of the transitional period.

Capital Transactions and a European Investment Bank

The free movement within the Community of capital is also to be accomplished by the end of the transitional period, with certain safeguards. Current payments relating to capital transactions are to be freed from restrictions by the end of Stage I. A European investment Bank with a total initial capital equivalent to \$1,000 million is to be set up. Its objects are to finance projects designed to assist less developed areas and to promote modernisation and rationalisation of plant and equipment within the Community beyond the resources of individual Member countries. The capital, 25 per cent of which is to be called up over the first thirty months of the Treaty's existence, is to be subscribed as follows: France and Germany, each \$300 million, Italy \$240 million, Belgium \$86.5 million, the Netherlands \$71.5 million and Luxemburg \$2 million. The Bank will also be permitted to raise funds on the capital markets within the Community and abroad.

Overseas Territories

The association of overseas territories within the Community was one of the issues which delayed the signature of the Treaty. As it stands, the Treaty stipulates that the provisions of Customs Union for the gradual abolition of customs duties and quotas shall apply to the overseas territories of Member countries (with safeguards, however, in

respect of revenue and pioneer industry duties, which in practice may mean that the overseas territories would not be required to give full reciprocity in reducing tariffs). These rules are intended to apply to the first stage only, and before the expiry of a five-year period the Council of Ministers will draw up the basis of a new agreement.

Algeria and certain overseas departments of France are fully covered by the Treaty in its entirety in view of their special relationship with France. The special customs regimes already in existence between Member countries and certain overseas territories or states (Surinam, Morocco, Tunisia, Viet Nam, Laos, Cambodia and the New Hebrides and Libya and Somaliland) are, under a protocol, to continue.

In addition to any investments in overseas territories made through the European Investment Bank, a special overseas investment fund totalling the equivalent of \$581 million is to be created over five years to assist development in overseas territories. The largest contributors would be Germany and France, each providing the equivalent of \$200 million. French overseas territories would receive about \$511 million, more than 80 per cent of the total fund, over the five-year period.

The Institutions of The Community

The Community will have the following organisational structure:

A Council of Ministers: The Council, consisting of one member from each Government, will ensure the co-ordination of economic policy and will reach decisions either unanimously or by a weighted or a non-weighted majority depending upon the particular issues and circumstances as laid down in the Treaty. For a weighted vote, France, Germany and Italy

will each have four votes, Belgium and the Netherlands two and Luxembourg one. Twelve votes will be required for the acceptance of a proposal put forward by the Commission; in other circumstances, twelve votes including those of at least four members, are needed for a majority.

The European Commission: This, in effect, will form the executive organ, and its functions will be to superintend and organise the working of the Treaty. It is to be composed of nine independent members drawn from the area, with not more than two from any one country, and it is empowered to take decisions by a majority vote.

The Court of Justice: The Court will be composed of seven judges nominated by agreement, and it will also serve the Atomic Energy and the Coal and Steel Communities. Its task will be to interpret and give rulings on the application of the Treaty.

The Assembly: The Assembly will be drawn from the Parliaments of Member countries and its 142 members will be composed as follows: France, Italy and Germany 36 each, Benelux 34. Its function will be to exercise a general control over the work of the Community, based on the annual report submitted by the Commission.

The Economic and Social Committee: This is a special consultative body composed of experts whose advice must in certain defined cases be heard by the Council and the European Commission.

The important changes in the form taken by the Common Market Treaty, as compared with the report and proposals drawn up by the original Committee, were to a large extent incorporated to meet the special requirements of France. The main requests made by France

were that the social burdens carried by industry (which are specially heavy under the French system of financing social security payments) should be harmonised throughout the Community; that the transition from the first to the second stage during the interim period should be dependent on a unanimous decision of the Council of Ministers; and that France should be permitted to retain her system of import equalisation levies and financial assistance to exporters. In the event, the other Members of the Community made certain concessions to meet these claims. Certain social measures are to be brought into alignment--e.g., equal pay for men and women. If there is no unanimous agreement to move over to the second stage, then the first stage can be prolonged for a further two years, after which a qualified majority is sufficient to decide the transition. The system of special import levies and export subsidies is to be retained subject to an annual examination by the Commission and the Council.

Entry Into Force

The Parliaments of France, Italy and the Federal Republic of Germany had completed the ratification of the Treaty by mid-October 1957. The Netherlands Parliament began consideration of it in September, and the Belgian and Luxemburg Parliaments are expected to deal with it before the end of 1957. The Treaty, therefore, seems likely to come into force on 1st January, 1958, and thus the initial reductions in customs duties and measures to eliminate quantitative restrictions would become effective from 1st January, 1959.

APPENDIX O

THE MAIN PROVISIONS OF EFTA¹

EFTA CONVENTION

The Convention establishes a Free Trade Area. This differs from a full customs union or a common market in that its members, while abolishing tariffs and restrictions on goods entering any of them from any other, retain their individual tariffs on goods coming from outside the area.

The Convention provides that tariffs and quotas on trade between the Seven countries are to be reduced and finally eliminated over a period of nine and a half years. The first cut, of twenty per cent, in tariffs is to be made on 1st July 1960, and the process is to be completed by 1st January 1970. This timetable has been chosen because it fits exactly into that of the European Common Market. It should, therefore, facilitate ultimate agreement between the two groups and their merging into a wider free trade area. This reduction in duties and increases in quotas will apply only to manufactured goods. Trade in agricultural products, including fish, will come under special agreements made between individual countries.

¹Source: Paul Barea, 6 to 1 or + 7? (Southampton : Newman Nearne Take Home Books Ltd., 1960).

APPENDIX O - Continued.

There are escape clauses in the EFTA Convention which allow member governments to exempt themselves from its provisions in two sets of circumstances. Firstly, if there is a balance of payments crisis in a member country it may have to take defensive action by introducing quotas. Secondly, if a particular industry which was previously protected runs into serious difficulties as a result of the disappearance of that protection, special measures may be taken which would run counter to the strict letter of the convention. In each case the use of these escape clauses would have to be made after discussions with the institutions which are to be set up under the EFTA.

Those institutions are to be of the simplest. Decisions will be taken by a Council of Ministers on which the Seven countries will be represented with one vote each. It had been the hope of the Seven that they would be able to use the staff and offices of the OEEC for the day to day administration of EFTA. Unfortunately, the French have objected to Paris being the administrative headquarters of EFTA, and for the time being they are in Geneva.

APPENDIX P

THE MAIN PROVISIONS OF THE FREE TRADE AREA¹

In essence the British plan was a call to remove all restrictions to trade except in foodstuffs, drink and tobacco coupled with firm rules for fair competition. Closer cooperation in agriculture was to be pursued separately. The removal of tariffs, quotas and other barriers to trade was to be kept in step with the parallel arrangements in the Economic Community of "The Six," so that at no stage would discrimination between the two groups emerge. "Escape clauses" should be stringently drafted, to ensure the plan was not frustrated by too easy resort to such devices. As the several Free Trade Area countries would keep their own external tariffs while the Customs Union would have a single external tariff, rules to determine the origin of goods claiming free trade treatment would be necessary. Finally, since it was inevitable that free trade would lead to greater interdependence, OEEC would be the forum for closer cooperation in such matters as payments, the movements of capital and labor and the general coordination of financial and economic policies.

¹Source: Great Britain, British Information Services, Free Trade in Europe, No. ID1310, September, 1958.

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